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# U.S.-SOVIET COMMERCIAL AGREEMENTS 1972

Texts,  
Summaries,  
and  
Supporting  
Papers

U.S.  
DEPARTMENT  
OF  
COMMERCE

Domestic and  
International  
Business  
Administration

Bureau of  
East-West Trade





# U.S.-Soviet Commercial Agreements 1972

Texts, Summaries,  
and  
Supporting Papers



U.S. DEPARTMENT OF COMMERCE  
Peter G. Peterson, Secretary

Andrew E. Gibson, Assistant Secretary  
DOMESTIC AND INTERNATIONAL  
BUSINESS ADMINISTRATION

BUREAU OF EAST-WEST TRADE

JANUARY 1973



*Signing Ceremony of the U.S.-U.S.S.R. Trade Agreement, October 18, 1972, Washington, D.C. Left to right: N. S. Patolichev, Minister of Foreign Trade of the U.S.S.R.; William P. Rogers, U.S. Secretary of State, and Peter G. Peterson, U.S. Secretary of Commerce.*

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## FOREWORD

The year 1972 marked an historic turning point in commercial relations between the United States and the Union of Soviet Socialist Republics. The initiative for creating a new pattern of Soviet-American trade was taken in May, 1972, when President Nixon and Secretary General Brezhnev met in Moscow and agreed upon "Basic Principles of Relations between the United States of America and the Union of Soviet Socialist Republics." Reflecting a mutual desire to relate the "new era of negotiations" to commerce between the world's two largest economies, this far-reaching statement contained as its seventh principle the following affirmation: "The U.S.A. and the U.S.S.R. regard commercial and economic ties as an important and necessary element in the strengthening of their bilateral relations and thus will actively promote the growth of such ties. They will facilitate cooperation between the relevant organizations and enterprises of the two countries and the conclusion of appropriate agreements and contracts, including long-term ones."

In the period following the Moscow Summit, a series of agreements was concluded which sought to implement these objectives and to bridge the gulf which has separated the U.S. and the U.S.S.R. commercially for over two decades. The following pages include the texts of these agreements, arranged chronologically in the order of their signature, together with summaries and relevant communications between the principal representatives of the U.S. and Soviet governments. In sum they represent a major effort on the part of both governments to reach a broad range of understandings on matters relating directly to the expansion of trade. Specifically they deal with such issues as the settlement of outstanding debts, the provision for satisfactory shipping arrangements, and the establishment of a legal and logistical framework for commercial transactions.

The principal institutional mechanism through which the negotiations have been conducted is the Joint U.S.-U.S.S.R. Commercial Commission, headed by Secretary of Commerce Peter G. Peterson and Soviet Minister of Trade N. S. Patolichev. Established at the time of the Moscow Summit, this Commission was charged with responsibility for laying the groundwork for constructive U.S.-Soviet commercial exchanges in the future. Two plenary meetings of the Commission—one held in Moscow in July and one held in Washington in October—have resulted in the successful conclusion of a maritime agreement, a lend-lease agreement, and a comprehensive trade agreement. The Joint Commission will, however, continue to function as an on-going institution, overseeing the effective implementation of the trade agreement and monitoring the entire spectrum of U.S.-Soviet commercial relations. In addition, the Commission will serve the important function of exploring new areas in which the U.S. and the U.S.S.R. have common commercial interests.



# TABLE OF CONTENTS

	Page
Foreword .....	iii
 I. Agreement on the Establishment of the Joint U.S.-U.S.S.R. Commercial Commission ..	 1
Communique of May 26, 1972 .....	1
Terms of Reference and Rules of Procedure of the Commission .....	2
 II. The Grains Agreement, July 8, 1972 .....	 5
Summary from White House Fact Sheet .....	5
White House Press Conferences .....	6
Text .....	19
Exchange of Letters .....	21
 III. The Maritime Agreement, October 14, 1972 .....	 23
Summary from White House Fact Sheet .....	23
White House Press Conference .....	26
Text and Appendices .....	33
Exchange of Letters .....	40
 IV. The Trade Agreement, October 18, 1972 .....	 75
Summary from White House Fact Sheet .....	75
White House Press Conference .....	78
Text and Appendices .....	88
Exchange of Letters .....	94
 V. The Lend Lease Settlement, October 18, 1972 .....	 103
Summary from White House Fact Sheet .....	103
The Soviet Settlement as Compared to the British Settlement .....	104
Text .....	105





# I. Agreement on the Establishment of the Joint U.S.-U.S.S.R. Commercial Commission

## COMMUNIQUE OF MAY 26, 1972

In order to promote the development of mutually beneficial commercial relations and related economic matters between the two countries, Soviet leaders and the President of the United States Richard M. Nixon have agreed to establish a U.S.-U.S.S.R. Commercial Commission.

The U.S.-U.S.S.R. Commission is to:

Negotiate:

- an overall trade agreement including reciprocal Most Favored Nation (MFN) treatment;
- arrangements for the reciprocal availability of government credits;
- provisions for the reciprocal establishment of business facilities to promote trade;
- an agreement establishing an arbitration mechanism for settling commercial disputes.

Study possible U.S.-U.S.S.R. participation in the development of resources and the manufacture and sale of raw materials and other products.

Monitor the spectrum of U.S.-U.S.S.R. commercial relations, identifying and, when possible, resolving issues that may be of interest to both parties such as patents and licensing.

Sessions of the Commission will be held alternately in Moscow and Washington. The first session of the Commission is to take place in Moscow in July of this year.

from

*Weekly Compilation of Presidential Documents* (June 5, 1972, p. 924).

# TERMS OF REFERENCE AND RULES OF PROCEDURE OF THE JOINT U.S.-U.S.S.R. COMMERCIAL COMMISSION

1. The Joint U.S.-U.S.S.R. Commercial Commission, established by the President of the United States of America and the Soviet leaders during their meetings in Moscow in May, 1972, is to promote the development of mutually beneficial commercial relations and related economic matters, and to work out specific arrangements between the United States of America and the Union of Soviet Socialist Republics.

2. The Commission is to negotiate:

- an overall trade agreement including reciprocal MFN treatment;
- arrangements for the reciprocal availability of government credits;
- provisions for the reciprocal establishment of business facilities to promote trade;
- an agreement establishing an arbitration mechanism for settling commercial disputes.

3. In addition, the Commission is to:

- study possible U.S.-U.S.S.R. participation in the development of natural resources and the manufacture and sale of raw materials and other products;
- monitor the spectrum of U.S.-U.S.S.R. commercial and economic relations, identifying and, when possible, resolving issues that may be of interest to both Parties.

4. The Commission consists of an American Section and a Soviet Section. The Parties shall advise each other in advance of the persons designated by them to participate at any meeting of the Commission.

5. The Commission shall hold meetings as mutually agreed by the Parties, but not less than once a year; alternately in Washington and Moscow. The Chairman of the Section of the host country shall preside over meetings of the Commission. Each Section may invite

advisers and experts to participate at any meeting of the Commission.

6. The Parties shall, not later than one month prior to any meeting of the Commission, agree on an agenda for the meeting. The meeting shall consider matters included in this agenda, as well as further matters which may be added to the agenda by mutual agreement.

7. In order to fulfill its task the Commission may establish Joint Working Groups to consider specific matters. The Commission shall determine the assignments of such Joint Working Groups, which shall conduct their work in accordance with the instructions of the Commission.

8. The Commission shall work on the basis of the principles of mutual agreement. On matters as to which either Party advises that further approval of its Government is required, such Party shall inform the other Party when such approval has been obtained.

9. Any document mutually agreed upon during the work of the Commission shall be in the English and Russian languages, each language being equally authentic.

10. Each Section shall have an Executive Secretary who shall arrange the work of the respective Section of the Commission, coordinate the activities of the Joint Working Groups and perform other tasks of an organizational and administrative nature connected with the meetings of the Commission. The Executive Secretaries shall communicate with each other as necessary to perform their functions.

11. Expenses incidental to the meetings of the Commission and any Joint Working Group established by the Commission shall be borne by the host country. Travel expenses from one country to the other, as well as the living and other personal expenses, of its representatives participating in the meetings of the Commission and any Joint Working Group established by the Commission shall be borne by the Party

which sends such persons to represent it at such meetings.

Moscow, August 1, 1972

/s/

Peter G. Peterson  
Chairman, American Section  
Joint U.S.-U.S.S.R. Commercial  
Commission

/s/

Nikolai S. Patolichev  
Chairman, Soviet Section  
Joint U.S.-U.S.S.R. Commercial  
Commission



## II. The Grains Agreement, July 8, 1972

### SUMMARY FROM THE WHITE HOUSE FACT SHEET

1. The President announced today the successful negotiation of a three-year grain agreement between the United States and the Soviet Union totalling \$750 million of U.S.-grown grains (wheat, corn, barley, sorghum, rye, oats—at the Soviet Union's option) for the period from August 1, 1972, through July 31, 1975. As part of the agreement, the United States will make available credit through the Commodity Credit Corporation for repayment in three years from the dates of deliveries, with the total amount of credit outstanding not to exceed \$500 million. Under the agreement the Soviet Union will purchase for deliveries during the first year, August 1, 1972, through July 31, 1973, at least \$200 million of U.S.-grown grains.

2. The purchases and sales will be as negotiated between the Soviet Union and the U.S. private commercial exporters. The credits on deliveries made through March 31, 1973, will carry CCC's present going interest rates (which are  $6\frac{1}{8}\%$  per annum on letters of credit issued by U.S. banks and  $7\frac{1}{8}\%$  on letters of credit issued by foreign banks). Under the CCC program, the principal is payable in three equal annual installments following the delivery, and accrued interest is paid with each installment.

3. The Soviet Union purchased \$150 million of feed grains (mainly corn) from U.S. grain traders in the fall of 1971. This was a cash

transaction. In 1963 U.S. exporters sold the Soviet Union about \$110 million of wheat. Thus, this is the largest Soviet grain purchase in history.

4. This sale to the Soviet Union will put that country in a second position among purchasers of U.S. grain. Average annual grain purchases of these six grains over the last three years are:

Japan	\$437 million
Netherlands	135 "
Canada	126 "
United Kingdom	102 "
Italy	86 "
West Germany	75 "
Belgium-Luxembourg	48 "
Venezuela	46 "
Republic of Korea	36 "
Republic of China	27 "

5. The average purchase rate of \$250 million annually would increase U.S. exports of the six grains by almost 17% annually over the average of the three previous years—1969-1971.

6. Agricultural experts estimate that about 3,000 to 5,000 additional jobs are created for \$100 million of grain exports. Since at least \$750 million is involved, it could be estimated that a range of 22,500 to 37,500 man years of work for U.S. workers is involved in this deal.



## WHITE HOUSE PRESS CONFERENCES

### PRESS CONFERENCE

BY

DR. HENRY A. KISSINGER,  
ASSISTANT TO THE PRESIDENT FOR  
NATIONAL SECURITY AFFAIRS  
JULY 8, 1972

AT 9:20 A.M. PDT.

MR. ZIEGLER: We have an announcement to make this morning.

Also, Dr. Kissinger has agreed to come by this morning to respond to some of your questions on the announcement, and also to take some of your questions on other subjects. He has agreed to do that.

The announcement we have this morning relates to a long-term commercial trade purchase agreement which has been made between the United States and the Soviet Union.

President Nixon is pleased to announce this morning that the United States and the Soviet Union have signed the largest long-term commercial trade purchase agreement ever made between two countries.

The Soviet Union has agreed to buy a total of \$750 million of U.S. grown grain, a mix of wheat, corn, sorghum, rye, barley, and oats at their option over the next three years.

Within the year beginning August 1, they have agreed to purchase at least \$200 million in U.S. grain.

The grain purchases to be financed under the export credit program of the United States Department of Agriculture will make the Soviet Union the second largest foreign consumer of United States grain.

The President notes that this agreement has three important benefits for the American people, and the United States economy. It will provide grain farmers with a boost in income. It will also provide jobs for Americans involved in shipping the grain, including longshoremen, seamen, exporters, railroad and barge line workers. It will reduce the cost to taxpayers of storage, handling and other charges associated with maintaining commodity stocks.

The President also feels that the agreement is a tribute to the immense productivity of America's farmers, which makes possible export sales of this magnitude.

Finally, in terms of foreign policy, the President considers this agreement a very important, concrete forward step in the commercial relations between the United States and the Soviet Union which benefits both countries. As such, it builds on the accomplishments of the Summit meetings in Moscow last May.

Just to conclude, the agreement was signed this morning in Washington by Secretary of Commerce Peterson, and the United States Chairman of U.S.-Soviet Commercial Commission; Secretary of Agriculture Earl Butz, and First Deputy Minister of Foreign Trade of the U.S.S.R. M. R. Kuzmin.

I should add that Secretary Peterson and Secretary Butz will be holding a briefing today at 10:30 our time, 1:30 in Washington.

Dr. Kissinger is here to discuss this with you and take other questions. He is on the record.

DR. KISSINGER: Actually, this is the sort of thing which if Carroll were not here I would prefer to do on background because I just wanted to give you a little bit of the history of how this negotiation was conducted. Then I will take some questions on this and any other area of foreign policy, if you want to ask them.

As in all other negotiations that took place prior to the Summit, the discussions about the agricultural field occurred in two channels; one, the regular negotiation, which I will describe in a minute, and secondly, the direct Presidential channel to Brezhnev which is invoked when there is some deadlock or some issue that requires political decision, and in which then both sides attempt to make the decisions which will enable the negotiations to go forward.

These discussions first started when Soviet Minister of Agriculture Matskevich was here in December. He had extended general conversations at that time with his counterpart, and he also, as you remember, saw the President for about an hour in December.



The conversations were then continued when Secretary Stans visited the Soviet Union in February. At that time we were still within the framework of a one-year arrangement, but after the Stans visit, there were some exchanges in which the idea of a long-term grain deal began to mature.

These conversations were continued when the Soviet Minister of Trade, Patolichev, visited Washington early in May, just prior to the Summit. This was the first time that the details of possible credit arrangements were discussed in some detail.

Patolichev, if you remember, had a rather extended conversation with the President in which this was one of the major features.

At the time of the Summit, there were extended conversations on this subject by the President with Podgorny and Kosygin at one of the sessions at which Mr. Brezhnev was not present. I think it was on the Wednesday of the week of the Summit.

The difficulties at the time concerned the details of the credit arrangements, the length of time for the credit arrangement and the length of time for which the Soviet Union would commit itself and also the possible linkage, if I may use this word, of this field to the Maritime Agreement which was then under negotiation.

At the final session between General Secretary Brezhnev and the President this range of issues was discussed again and both parties decided that they would review the situation as quickly as possible after the end of the Summit in order to see whether a significant advance could be made and to use this advance then for broader relationships throughout the entire commercial field.

This has now been accomplished. About two weeks ago the Soviet Union informed us that they were ready to send their Deputy Minister of Trade Kuzmin to Washington to conclude the agreement, essentially along the lines that had been discussed between the President and General Secretary Brezhnev at their last meeting. Mr. Kuzmin has been in Washington for nearly the past two weeks now.

The agreement was finally concluded yesterday and has been signed this morning.

Secretary Peterson and Secretary Butz will hold a briefing at 1:30 Washington time, 10:30 our time, to discuss the technical ramifications of the deal.

I will be glad to answer any questions, and also to take questions on other subjects.

Q Dr. Kissinger, what was the size of the original deal last year, \$130 million?

DR. KISSINGER: \$150 million was the deal last year. So this is the largest deal per year and it is a long-term deal.

I repeat, you should not look at this as equal yearly installments. They are not committed to buying it in any one time period. The figure we gave you of what will be bought this year is the minimum. It is not the total.

Q Henry, the percentage of interest in this explanation sheet kind of puzzles me. Are they going to pay six and an eighth or seven and an eighth or both, depending on where their letters of credit come from?

DR. KISSINGER: My understanding is that it will be six and an eighth. They are paying exactly the same rate as anyone else who is getting it. There are no concessionary rates.

Q Could you discuss how this agreement relates to the prospect for an overall trade agreement with the Soviet Union, and also the World War II debt?

DR. KISSINGER: Yes. As you know, Secretary Peterson, who is the Chairman on the American side of the U.S.-Soviet Economic Commission is going to be visiting the Soviet Union in the latter part of July to continue these discussions.

Our view all along had been that we wanted a comprehensive new approach to the issue of U.S.-Soviet economic relations, of which the components would be the trade deal, the possible maritime agreements, the settlement of lend lease and possible extension of credit.

Obviously, it is impossible to settle all of these issues on the same date, and therefore, our approach has been to attempt to settle them within the same general time frame, but to announce them as they are completed.

We believe that this agreement that we are announcing today is a major step forward in the conclusion of more comprehensive arrangements in the other fields as well, and we are entering the negotiations, as we believe the Soviet leaders are as well, with the attitude of finding a solution that is constructive to both sides, and we believe that major progress will be made when Secretary Peterson visits Moscow.

I might say when I characterized our attitude, I think I correctly described the Soviet attitude as well.

Q Why did the United States decide to extend credits this time?

DR. KISSINGER: This deal is the largest grain deal that has been concluded between two countries. It is also the largest grain deal, obviously, we have ever concluded. It is also the longest term one. Therefore, it was felt that some more novel approaches were needed which were in conformity with the importance of the general approach.

Secondly, leaving aside this particular deal, we have made clear consistently that as our general relationship with the Soviet Union would improve, we would be prepared to adopt new and forward-looking approaches to the question of financing trade between the Soviet Union and the United States.

Now the nature of the credit that was extended was the subject of rather extended conversations. On the Soviet side, I think it is correct to say that they believe in somewhat more extended credit arrangements and their approach to paying interest is somewhat different from ours, which we have already experienced in the lend-lease arrangement. But it was concluded satisfactorily.

Incidentally, I want to make an historic announcement here which is the first public admission of a mistake by a Harvard professor, and I hope you will all report it properly. Secretary Stans visited the Soviet Union in November and December, and therefore, his visit preceded Matskevich.

I have never seen Ziegler so happy. We just wanted to make this a normal press briefing. (Laughter)

Q Henry, can you say what the unions have agreed to?

DR. KISSINGER: I was afraid you would ask that question. (Laughter). Ziegler is looking it up in his instructions and he is going to hand it to me. (Laughter)

One of the problems, as you will recognize, has been the question of loading ships by our unions, and this was one of the delays. We have had extended conversations with the unions, and we have reason to believe that this problem is either solved or very near to a solution.

Q Was credit given on last year's deal?

DR. KISSINGER: No, last year was cash.

Q Has there been no congressional feeling that settlement of lend lease should precede more detailed trade with the Soviet Union?

DR. KISSINGER: There has been a congressional feeling that settlement of lend lease should precede the more extensive credit arrangements that have been undertaken by the Export-Import Bank. This is a credit arrangement of a more short-term nature under a law which is designed to promote the sale of agricultural commodities, and we would not have undertaken it were we not optimistic that we could bring about a settlement of the lend-lease issue.

The problem we face is whether we want to hold up an agreement that is concluded, and use it as a sort of blackmail for another agreement which we have every reason to believe we are at least moving in a constructive direction on.

We think that when Secretary Peterson visits the Soviet Union that some progress will be made.

Q How much does the Soviet Union owe us in lend-lease?

DR. KISSINGER: Well, that is an item that is under very active debate and is in the process of being established. Opinions are somewhat divided on that subject, so I would rather not get into it.

Q You mentioned that this was the largest grain deal. Is it also the largest trade arrange-



ment of any kind between the U.S. and the Soviet Union?

DR. KISSINGER: I would rather have them answer that in Washington. My impression is yes, but I think this is something that Secretary Peterson and Secretary Butz are better able to answer than I.

Q The sales themselves will be handled by private companies; is that right, through financing by the Government?

DR. KISSINGER: That is right and the credit is extended to the exporters, really.

Q Henry, I don't think you answered Carroll's question in any detail. I am still interested in knowing what the unions agreed to. Will this grain be shipped on Soviet bottoms entirely or 50-50 of what?

DR. KISSINGER: The details of this will be announced when they are fully worked out. I know that they will not be shipped entirely in Soviet bottoms and we believe that the unions will agree to load under those conditions.

Q Dr. Kissinger, does that mean that you no longer expect Congress to insist that lend lease be a prerequisite?

DR. KISSINGER: We expect that within a reasonable time all of these issues will become part of a more comprehensive arrangement. We believe that for more permanent credit arrangements of a more general nature, not tied to one specific set of purchases, Congress will probably still insist, and that is our approach in any event.

## PRESS CONFERENCE

OF

PETER G. PETERSON, SECRETARY OF  
COMMERCE

AND

EARL L. BUTZ, SECRETARY OF  
AGRICULTURE

JULY 8, 1972

AT 1:40 P.M. EDT

MR. BALL: Good afternoon and good morning to our more colorfully dressed colleagues out in Laguna Beach.

As you may know, the President has announced that the U.S. and the Soviet Union

have signed the largest long-term purchase agreement ever made between two countries. The Soviet Union agreed to purchase a total of \$750 million of U.S.-grown grains, a mixture of wheat, corn, sorghum, rye, barley and oats at their option over the next three years.

Within the year beginning August 1st, the Soviets agreed to purchase at least \$200 million—these purchases to be financed under the Export Credit Program of the U.S. Department of Agriculture.

The agreement was signed this morning here in Washington by Secretary of Commerce Peterson, who is also U.S. Chairman of the U.S.-U.S.S.R. Commercial Commission and Secretary of Agriculture Butz, along with the First Deputy Minister of the U.S.S.R., Mr. M. R. Kuzmin.

Both Secretary Butz and Secretary Peterson are here to brief you on the agreements.

SECRETARY PETERSON: I think it is perfectly obvious to say when you have a deal of this magnitude, which is the largest agricultural commercial transaction in history and also, incidentally, a long-term transaction which is most significant, this is not a one-shot deal. It can only be possible in a larger context, in a strategic context, in a total environment and I think essentially what the President has been doing for the last several years is to build that kind of environment and that kind of a structure in which commercial matters could be constructively resolved.

From the beginning, the President has made it clear to those of us who have worked on this, that a long-term grain deal would be, in his view, in the best interests of our country. It is something obviously we have good supplies of, but it is also, we think, in the interest of the Soviet Union. They have pointed out on a number of occasions to Secretary Butz, Secretary Stans, when he was there, and others, that they have a national goal, the Soviet Union does, of a 25 percent increase in protein consumption over the next five years and therefore, we had a situation here in which a product that we had in ample and good supply was also a product that they needed.

We felt, the President felt, therefore, that a long-term grain deal would be another in a

series of steps that would build an atmosphere that would make it possible for further progress to be made and for more comprehensive commercial agreements to be made.

As Dr. Kissinger pointed out this morning, we will be announcing shortly the exact time of the first meeting of the joint U.S.-Soviet Commercial Commission. It will be held in the latter part of July.

At that meeting, particularly with this very constructive step that the President announced today, we think it will be possible to make progress on at least some of the important commercial matters that remain between our two countries. At that session, we, of course, will review some of the matters that you are aware of. We have the question of a maritime agreement. We have the question of the lend lease settlement. We have the question of the extension of credit to the Soviet Union, the expansion of business facilities between our two countries, the question of a trade agreement and in particular, the most favored nations agreement between our two countries.

We have a variety of other commercial issues that we will be working on. As Dr. Kissinger indicated this morning, we don't have any specific timetable that says that comprehensive agreements will or should be signed all at once, but in the general time context of making progress in the reasonably near future we will continue to announce agreements as they are made.

Incidentally, Dr. Kissinger did brief this morning on the agreements. I think it was a noteworthy step in the education of Henry Kissinger. It is not exactly a secret that he at times past has had a certain discomfort, perhaps even distaste for things commercial and in the same way he has effected a transformation or shall we say an alleged transformation concerning certain highly publicized social aspects of his life. I was very gratified this morning to see such remarkable evidence of the commendable progress he is making in mastering commercial matters as well.

I think it is only natural today that Secretary Butz be with me at this announcement. He and I signed this agreement in my office this morning and his people have been very

actively involved with ours in the negotiations which began on June 29th, when the First Deputy, Mr. Kuzmin, arrived in this country and within our own Department I have with me the Under Secretary James Lynn, who played an important role; Mr. Gibson, Andrew Gibson, Assistant Secretary, who is involved; Bill Letson, our General Counsel. From the Department of Agriculture, Assistant Secretary Carroll Brunthaver and the General Counsel of Agriculture, Mr. Coffman.

I would like now to turn the briefing over to Secretary Butz and then we will, of course, be happy to take your questions. I must say, Earl, I am a bit terrified that these people have had an hour and a half in which to apply their creative imaginations as to what they might ask us.

SECRETARY BUTZ: An hour and a half, they had a year and a half to apply it.

Well, thank you very much, Secretary Peterson.

This is a massive deal, as you know, \$750 million worth of feed grains minimum over a three-year period, with a guarantee that they will take at least \$200 million worth in the first year from August 1, 1972 to July 31, 1973. This is the minimum; they can take more than that.

They have been extended credit terms by CCC on identically the same terms and conditions that we extend credit to any other trading partner. At a going rate this does not involve subsidy to the Russians. They purchase these grains in the commercial market. They will be exported by the private grain trade in this country just as was done with the three million ton sale of feed grains a year to the Russians. That was a cash deal.

At the present time, CCC has agreed to extend credit with a maximum at any one time of \$500 million. They will repay the credit in three equal installments, beginning one year after the date of the particular purchase for which credit is extended.

We estimate this will increase our exports by approximately 17 percent during the next three years over the last three-year average.



That is assuming they buy only the minimum quantities of grain. They can buy more than that and they don't have to buy it all for credit. It can be cash at their option, as long as the total amount of credit outstanding does not exceed \$500 million at any one time.

As Secretary Peterson said, this is the largest grain deal so far as we know in the history of the world. It far surpasses the grain deals of Josias and the Pharaoh as we tried to estimate this morning how much grain might have been involved there, perhaps 500,000 bushels.

If the Russians were to take this entirely in corn, it would be the equivalent of approximately 550 million bushels of corn. That is ten percent of our total production last year, a heavy record production year in 1971, to give you some idea of the magnitude of this. They won't take it all in corn. It is their option whether they take it in corn or wheat, barley, rye or grain sorghum or oats. No doubt the bulk will be corn and wheat.

As Secretary Peterson said, when it was obvious to us that the Russians would make a purchase of this kind sometime, and we have been working on it, the President worked on this when he was in Moscow, we discussed it when I was in Moscow. The Russians had a bad wheat year. Last winter in the Steppes east of the Ural Mountains where they had severe winter killing of wheat, they had several weeks of subzero weather with no snow cover.

Mr. Matskevich, the Minister of Agriculture, when he was in this country in December and again when I was in Moscow in April, made no effort whatever to hide that fact. And I had an hour and a half of sessions with Mr. Matskevich in Moscow. He likewise made no effort to hide the fact they had a short wheat crop.

They have plenty of wheat for now, but they will be eating the current wheat crop in the year ahead. It is obvious they are going to have to buy wheat beyond that for which they have a commitment from Canada.

As a part of their five-year plan, of which one year is past now, they have advertised a goal of increasing the annual protein component of their diets by 25 percent. Mr. Matskevich

discussed that with us last December and again when we were there in April they discussed it openly and Mr. Brezhnev likewise said, "It is a goal we hope to achieve and to achieve it," he said very frankly, "we must import coarse grains and protein supplement."

So this is the deal. We regard this as a major thing for agriculture. It will help move our agriculture down the road that President Nixon has indicated he wants it to move, an expanding agriculture with expanding markets where our farmers have a chance to expand their production rather than to embark upon a program of curtailed production, as has been done sometimes in the past.

Thank you. There are questions I am sure.

Q Mr. Butz, on the question of production, have we made any commitment to the Soviet Union with regard to our domestic grain programs that we committed ourselves to a certain quantity of grain in every year this agreement is in effect?

SECRETARY BUTZ: We made the commitment we would have this much available to sell and we certainly will have this much available to sell. We have the stocks on hand now, as you well know, of both corn and wheat. More than that, I made the point to Mr. Brezhnev and to Mr. Matskevich both, that they are absolutely safe in building up their Russian livestock population based on a feed grain supply from this country, because we have in our corn belt, in the Great Plains area, the world's largest contiguous land mass area with good growing climate, with adequate rainfall, well capitalized farmers, with a reserve of unused acres. The production will always be there.

I made the point and Brezhnev got it clearly that they are absolutely safe in building up the livestock population based on a grain supply from this country.

Q Mr. Peterson, I have got a question I managed to scare up from one hour of my creative imagination. If you can pull off such a big grain deal with the Russians who are at the opposite end of our ideological scale, why can't you pull off a sugar deal with the Cubans who are much smaller and much less of a power in the world scene?

SECRETARY PETERSON: Well, I am not aware that we have been interested or have been involved in any discussions with Cuba.

Q That is the question.

SECRETARY PETERSON: I think this question properly falls in a foreign policy context and all I can tell you is I am not aware of any negotiations with Cuba at the present time and I think I would like to refer that to our foreign policy people.

Q. Mr. Peterson, last fall when the grain deal with the Soviet Union was made possible by American maritime unions agreeing to drop their demand on 50 percent of the shipments going in American bottoms, is that agreement to continue during this new three-year deal?

SECRETARY PETERSON: Well, we have been in touch with the labor leadership, for example, both Mr. Gibson here and I have very recently talked to Mr. Thomas Gleason, who is the President of the International Longshoremen's Association and he has indicated, as recently as yesterday, that he would cooperate with us on this program because it seems to me that it is not only in the national security interests of the country and national economic interests of the country, but that expanded trade provides more jobs, not only for longshoremen, not only for seamen generally, but for other people in this country.

He has indicated, therefore, that it is his view that his union will cooperate with the President on this program, which we appreciate very much, of course.

Q Mr. Peterson, could you address yourself to the question of jobs and generally the beneficial economic effect which this deal will have for the United States?

SECRETARY PETERSON: Yes, experts have estimated that there are about 3,000 to 5,000 additional jobs created for every \$100 million of grain exports. We are talking here obviously about a minimum, as Secretary Butz indicated, of \$750 million of grain and therefore, in terms of man years over the three-year period, I think it could be estimated that there are somewhere between 22,500 and 37,500 man years of work that are involved in this effort.

SECRETARY BUTZ: That is in addition to the man years involved in producing the wheat or corn.

Q Secretary Butz, you mentioned expanding production from farmers. Is the implication to be drawn from that that in forthcoming years, acreage lots will, therefore, be extended or we will have to get it out of what we have got now?

SECRETARY BUTZ: It will be expanded or they won't be contracted further. This certainly will have an impact on the satisfied requirements that we set in our programs for next year.

Q Does that imply a promise that this won't put any pressure on domestic grain prices?

SECRETARY BUTZ: At the moment I think it would not put undue pressure on domestic prices, although to be realistic, any sale of this magnitude is bound to have its impact on the market. As a matter of fact, the market has improved some in the last two weeks.

Q I am talking of long-term.

Q In short-term, you will obviously have some fluctuation.

SECRETARY BUTZ: In the long-term I should think this would be a buoyant factor on domestic grain prices.

Q It will keep them up?

SECRETARY BUTZ: I think so, yes, sir. I personally would expect the Russians would buy more than the \$750 million committed here, because I simply know if they are going to increase their livestock by 25 percent, they have got to have the grain.

Q Would you call that good news for the U.S. consumer?

SECRETARY BUTZ: Yes, I would call it good news for producers and for consumers, too.

Q Why consumers?

SECRETARY BUTZ: First, consumers don't consume feed grains in this country, they consume them through livestock, dairy and poultry. Secondly, they do consume bread grains, wheat primarily, but we have a tremendous



surplus of wheat in this country. The price of the wheat that goes into a loaf of bread is miniscule, it is something like two cents in a current loaf of bread and that won't have any impact one way or another. We have a sufficient supply of feed grains in this country, plus our reserve acreage, that the feed grains will be an adequate supply for our expanding livestock population.

I should think this sale would have an imperceptible result, if any result at all, any effect at all, on livestock prices.

SECRETARY PETERSON: Could I add two things on the consumer side of this, if I may. I have been told, Earl, that it would take about a 40 percent increase in the cost of grains to raise the price of bread one penny, and I don't think anybody is talking about——

Q I am talking about livestock.

SECRETARY PETERSON: ——the price of bread, which is what I was aware of here.

Secondly, I think, Secretary Butz, it is important to point out that the total cost of agricultural programs, which, after all the taxpayer, which all consumers are, presumably must pay, are likely to be substantially lower for a program of this type for the reason that the costs associated with exporting grains are much lower than the costs that would accrue if these wheat and feed grains were acquired and stored under the export program.

So, there are very substantial savings that Secretary Butz would know more about on the agricultural side of the cost of our programs which would ultimately pass to the consumer.

SECRETARY BUTZ: Or if we had a bigger set-aside program, that likewise, would be costly.

Q How much American shipping will be involved in transporting this grain?

SECRETARY PETERSON: Why don't we ask Mr. Gibson. He has been involved in a lot of this.

MR. GIBSON: In our discussions with the Soviets as regards the maritime agreement, throughout the agreement, it has been recognized that there would be a balancing of

American and Soviet ships. Whatever is carried in Soviet ships, a like amount will be carried in American ships. They would do this by buying FOB and offering cargoes to the ships involved in both registries.

Q Is that the same sort of thing that existed in the previous grain deal?

MR. GIBSON: No, it is not.

Q In fact, they have not agreed to go along with that. I understood Secretary Peterson to say they are willing to cooperate, the unions, in the same way that they cooperated in the previous grain deal.

MR. GIBSON: I think he was referring to last October. Is that what you mean?

SECRETARY PETERSON: No, I was referring to the cooperation in loading the grains which is the critical aspect here that I was referring to. I indicated that the labor union involved here, that I mentioned, has indicated it will cooperate on the loading.

Q That was not my question, my question ——

Q Half this grain is going to be carried in American bottoms, is that right?

MR. GIBSON: No, that is not correct. What I said was to the extent it is carried on Soviet vessels, it will be carried on American. This does not exclude third flag.

Q What is the change? As I understood it, one of the big issues involved in this was exactly this question of bottoms. What is the change from the agreement that existed in the fall of 1971 agreement.

MR. GIBSON: In 1971 we had no shipping agreement with the Soviets. We have worked since that time, in some seven meetings, both in this country and in the Soviet Union, to work out an agreement. We believe that that agreement will be consummated in the near future and as a result of that agreement, what I just discussed will flow from it.

Q Mr. Butz, can you tell me which companies will supply this grain and what they will supply?

SECRETARY BUTZ: No, sir, I can't. From this point on, the Russians buy this grain in

this country like any other commercial purchaser. They buy it in the private grain trade market from whomever they want to buy it at whatever price they need to pay to get it.

Q In the last three days while the Soviets have been here, two companies in particular have already bought more than \$200 million worth of grain and the general impression was that it was being purchased for the Soviet Union deal.

Were these people privy to this information before the deal was signed?

SECRETARY BUTZ: If they were privy to this information, it is only because the Russians had contacted them. Whether they had contacted them or not, I have no idea. That is entirely between the Russians and those from whom they buy the grain.

Q What is the outlook for more deals on soybean meal or soybeans when you meet in Moscow now that you have negotiated this deal for \$750 million? What about the soybean meal if they want it for a protein supplement?

SECRETARY BUTZ: She said when you meet in Moscow. You are going to meet in Moscow, I am not. They can buy all the soybeans or soybean meal they wish in the open market for cash. We have not extended CCC credit for soybean sales of any kind, chiefly because the dollar markets for soybeans and soybean meal around the world are excellent.

Q Mr. Peterson, you don't look to negotiate further on this?

SECRETARY PETERSON: No, I have not heard of any specific interest in soybeans as such, at least in terms of an agreement as the Secretary has indicated. If the Soviet Union wants to buy soybeans for cash, we will be happy to sell them some, is that right?

SECRETARY BUTZ: Indeed we would. That is the understatement of the day.

Q Did the Russians give you any idea where they would get the foreign exchange or what for them is the foreign exchange to repay these loans? Was that not a consideration at all?

SECRETARY PETERSON: No, we did not get involved in any aspects of how much they

might take in cash, how much they might take in credit and if they decided to pay in cash, what the origin of their funds would be.

Q Was there any discussion of the setting up of a bank, in New York, a Narodny Bank in New York?

SECRETARY PETERSON: No, I am not aware of any such discussion.

Q Could we go back to the shipping agreements once more. I think Mr. Gibson left some questions obscure. He said, as I understood it, if the Russians say we are going to ship in X number of ships or X tonnage, then with them having taken that initiative, we respond by shipping in an equal proportion, an equal tonnage, is that right? They have the initiative and how many bottoms?

MR. GIBSON: As a government agency we direct no ships for carrying of any cargo. They would go into the market, they would negotiate with the appropriate companies for carriage of grain as they need it to the Soviet Union. As both Secretary Butz and Secretary Peterson have indicated, this is a commercial transaction. They buy the grain at prevailing prices, they purchase shipping at prevailing prices.

Q That is an equal amount to their own bottoms?

MR. GIBSON: That is correct.

Q Is there any agreement as to the proportion that will be carried, like 33 percent or 50 percent?

SECRETARY PETERSON: There is not yet a maritime agreement. All I intended to say today was that the unions that are involved, the one I mentioned, in loading the grain, has indicated its willingness to cooperate in the loading of the grain. I think until we actually have a complete maritime agreement, it is premature to get into that specific aspect.

Q You assume this will come into effect, you are going to have a maritime agreement before August 1st, or will the agreement come into effect before there is a maritime agreement?

SECRETARY PETERSON: In terms of the shipment of these particular grains, let's just have a sense here of the calendar. It is possible



that very small amounts would be shipped by the end of July. I think we expect regular shipments to begin in August and to the extent that a maritime agreement relates to those initial purchases, I think we are indicating that we do expect to have a maritime agreement sometime in the near future. We cannot speculate as to whether that will be in the next few weeks or in August.

Q That is definitely on a 50/50 basis?

SECRETARY PETERSON: No, this is why I don't think it is proper to get into speculation on the nature of the maritime agreement. All that Mr. Gibson indicated was in such an agreement there have been discussions about having each country ship equal amounts, but that still leaves, obviously, the important question as to how much would be shipped by third countries. I don't think we want to get into that discussion at this time.

Q Can we get an estimate from the Agriculture people as to the dollar savings in subsidies that will result from these programs, starting from the current base?

SECRETARY BUTZ: I will call on Assistant Secretary Brunthaver.

MR. BRUNTHAVER: As you know, it costs us 14 cents a year to store this, so if we can move it we will not have to pay the storage costs either on CCC owned or resale or loan stocks. So, this is a direct savings. Whether or not this sale will allow us to change our program next year on set-aside and save some additional amounts we won't know until we set aside this year's crop, what kind of yield we are talking about and whether or not there is an indication of follow-through on the part of the Russians.

Q In any of your discussions that led to this grain transaction, was there any mention of what the Russians want to trade or sell to us? I am thinking of the petroleum reserves in Siberia, for example.

SECRETARY PETERSON: To answer your specific question, this transaction was handled as a separate transaction dealing with grains. There were no discussions or commitments as to what we might buy from the Soviet Union.

Broadly speaking, as you perhaps know, in 1971 we imported about \$60 million worth of products from the Soviet Union. The bulk of those products were either in raw materials or semi-processed goods—I am referring to such products as chrome, certain refined metals, furs of various kinds, a few chemicals, but largely raw and only partially processed products.

The Soviet Union, longer term, obviously has vast resources in raw materials and in energies, particularly in gas, but also some oil and over a period of time I am sure we are going to explore seriously whether our needs would be adequately met and appropriately met by importing such products in additional quantities from the Soviet Union.

But at no time during these discussions did the question of any bilateralism or reciprocity in the sense of our buying equivalent amounts of products ever come up. As a matter of fact, the very magnitude of this transaction, added to the fact that we already have a trade balance with the Soviet Union that is approximately three to one in our favor, I think, makes even more clear that over the next several years, at least, this country will have a very substantial and favorable trade balance with the Soviet Union.

Q Was there any discussion of repayment in gold?

SECRETARY PETERSON: At no time during any meetings in which I was present was that question ever mentioned.

Q Was there any question about what you are so hopeful of, possibly making progress in such areas as lend lease, extension credit, expansion of business facilities, et cetera. Does the progress of any of these depend on any progress in foreign policy questions or are these two separate proposals?

SECRETARY PETERSON: I think our statement on that should stand that we have made on previous occasions, as far as any specific linkage, for example, between progress in a particular part of the world, be it Vietnam or elsewhere, and the agreement on specific aspects of this agreement, I do not believe any such specific linkage exists.

I think it is true, however, that in a more general sense, the more favorable the overall climate is between our two countries, the more likely public and Congressional acceptance will be of expanded commerce.

The President, I think, had indicated to top leadership in the Soviet Union why the consummation of an important grain agreement would be one such element in gaining increasing awareness and support in this country for expanded trade.

But as far as any specific linkage between specific events abroad and specific events in the commercial arena, I am not aware of any such linkage.

Q Mr. Secretary, is my impression correct that you did not mean to have as much said about the maritime agreement as was said here today?

SECRETARY PETERSON: I am too fond and respectful of my associate to ever suggest that he would say anything he shouldn't say. I just want to indicate that we think we are going to have a maritime agreement soon. We think it will be one in the interest of our country and I suspect the Soviet Union will expect it is in the interest of their country.

We think relatively soon we will be able to say something on the maritime agreement. Until we have in fact worked out the specific aspects of the deal, it is premature to say anything more than has been said today.

Q Dr. Butz, is this an indication agricultural exports are taking a leadership role in this improvement in balancing of trade?

SECRETARY BUTZ: I think agricultural exports have been an important factor in the balance of trade. We had \$7.8 billion worth of exports last year. We had a net balance of, as I recall, some \$2 billion, am I right in that? Approximately \$2 billion on the plus side in agriculture last year.

While I am here, I would like to make one semiphilosophical comment which I think is appropriate here. As you know, one of the President's great initiatives is to bring peace to the world and I think it is significant a year ago the winner of the Nobel Peace Prize was

an agriculturist, a man whose discoveries did much to relieve hunger around the world and to promote agricultural and food production around the world.

I think it is significant now that this major, initial, commercial deal between the world's two largest nations, omitting China for the moment, is in the food field. I think it is appropriate that this is a major breakthrough towards peaceful coexistence of our two nations.

SECRETARY PETERSON: I might say on exports, incidentally, in case you didn't mention it, Secretary Butz, if you take the average exports of grain in this country over the past three years, and you know how important exports are, this will represent, this one deal, if we take the \$750 million and spread it \$250 million a year, 17 percent of that total, so it will have a very significant effect on exports.

On the balance of payments side, as I am sure you appreciate, over the three-year period, it should have a \$750 million roughly favorable effect on our trade balance. I don't think anyone would deny that that trade balance could use some favorable effects these days.

As far as our official reserve transaction balance, until the payments are actually made, there will be no net effect on our balance of payments. But as those payments are made, it will also be favorable in that regard.

So, this is a significant contribution in our balance of payments problem in the country.

Q I still can't figure out how you decided to lend them three-quarters of a billion dollars without some sense of where they are going to get the foreign exchange to pay it back.

SECRETARY PETERSON: First of all, I want to make it clear it is part of our agreement the maximum outstanding credit is a half billion, even though the total credit is—

Q I am not implying fault.

SECRETARY PETERSON: It won't surprise someone as sophisticated as you that in the course of the extensive evaluations that have been going on in recent months on the expanding trade, we have had a variety of occasions, in a variety of places, to look at the Soviet Union's capabilities to finance these purchases



and we are satisfied and our financial people are satisfied that there is substantial credit worthiness here for this purpose.

Keep in mind, too, what a short-term arrangement it is. It is essentially a third, a third, a third, beginning immediately or an average really of 18 months.

SECRETARY BUTZ: I might say this matter was thoroughly checked out before we began negotiations and you don't necessarily have to have a bilateral arrangement to make the payment. It can be a multi-lateral arrangement. They don't have to sell direct to us. There are other ways in the world to earn dollars besides direct sales here.

Q You assume they have an expanding foreign trade of one sort or another that will bring them into foreign exchange.

SECRETARY BUTZ: This came out very clearly in my own discussions with Mr. Brezhnev. He is extremely anxious to expand Russia's foreign trade, especially with the hard currency areas.

Q Mr. Peterson, the last time we had an appraisal of the Russian bargaining position that was with former Secretary Connally before he left Washington. He said the Russians wanted a longer time to pay and the lower interest rate. Now they seem to have given ground on both those issues.

Did we make any concession to them at all?

SECRETARY PETERSON: No, our position from the beginning, I believe, Secretary Butz of your visits, and certainly the visits I had with Minister Potolichiev while he was here, was that there had to be an overriding principle to these negotiations and that was the United States could not offer concessional treatment or discriminatory treatment in any way that favored the Soviet Union.

It is for that reason it is important to realize these are standard terms and there are no other concessions involved vis a vis the United States and the Soviet Union.

Is that an accurate statement?

SECRETARY BUTZ: I believe the only concession is we got a three-year commitment out of them, that is unusual.

Q I have three questions. The first one is how much credit will you give them in the first year?

SECRETARY BUTZ: That depends on how much they decide to purchase in the first year. They are committed to purchase a minimum of \$200 million. They could conceivably purchase the entire sum the first year, in which case, the credit would not exceed the \$500 million, but I am sure they won't purchase the entire sum the first year.

Q Is that the case with CCC credit that you have to issue a line of credit and make it available to exporters and you have to state what is available to them in advance?

SECRETARY BUTZ: Yes, sir.

Q How much will you say is available the first year. It starts in a couple of weeks now.

SECRETARY BUTZ: Let's have Claude Coffman. They come back and say we made a commitment to buy so many bushels. It will cost this much and then we issue the letter of credit. Is that right, Claude?

SECRETARY PETERSON: And the top number I want to emphasize is \$500 million outstanding at any time.

MR. COFFMAN: The American exporter would be told the same line of credit that has been discussed here, that is, not to exceed \$500 million the first year. Then it depends on how much they use as to actually how much credit is established.

Q My second question, please, since this agreement involves U.S.-grown grains, does this mean the Soviet Union has dropped its normal practice of buying on an any origin basis and what will happen if they face the exporter with that problem as they have always in the past? Any origin, so if the exporter is unable to meet their—

SECRETARY BUTZ: In this case, it is my understanding it has to be U.S.-grown grain. It is not any origin. It must be U.S.-grown grain if credit is involved.

Q My third question is since they want oats, presumably, and U.S. oats are far too expensive on the world market, is CCC prepared to use

some of its stock and offer those at the world price to the exporters to facilitate the Russians?

SECRETARY BUTZ: Carroll, can you answer that?

MR. BRUNTHAVER: The answer is no.

SECRETARY PETERSON: I wonder, Secretary Butz, if we have sufficiently emphasized two things on CCC credit. You will recall that one of the important purposes or functions of this credit is to expand new markets and this is obviously such a new market.

Secondly, as far as I can tell, a three-year agreement which has obvious advantages to our country is unprecedented and I think, Secretary Butz, both of these factors weighed in the decision to grant that credit.

SECRETARY BUTZ: That is right, because they are obligated to buy this over a three-year period even though they may have an excellent crop, they are still committed to take a minimum of \$750 million worth.

Q Secretary Peterson, did you think in forthcoming negotiations the Russians expect us to relax some of our strategic embargoes to sell them technological material?

SECRETARY PETERSON: One thing that has been made clear I think from the begin-

ning, is that these are commercial discussions and they will not include security issues in the discussion of the commercial issues and, to my certain knowledge, such questions as changing the list of products that we would be willing to sell the Soviet Union has not been discussed. I do not believe they will be discussed because these are decisions that the President will make in the context of what he considers to be the security interests of the country and we do not, for example, plan or will even consider bargaining of changing of control lists, for example, for higher exports to the Soviet Union.

Q We won't be selling them computers or trucks, things of that nature?

SECRETARY PETERSON: What I am saying is we will not sell them products that the United States Government has decided in another context are not in the security interests of this country. We can already sell them some computers. As you know, we can already sell them certain kinds of trucks.

One of the large projects being considered is a truck project. But we won't change those lists in the context of commercial negotiations.

THE PRESS: Thank you.

(AT 2:20 P.M. EDT)



# AGREEMENT

BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF THE UNION OF SOVIET SOCIALIST REPUBLICS WITH RESPECT TO PURCHASES OF GRAINS BY THE SOVIET UNION IN THE UNITED STATES AND CREDIT TO BE MADE AVAILABLE BY THE UNITED STATES

The Government of the United States of America (USA) and the Government of the Union of Soviet Socialist Republics (USSR) have agreed as follows:

## Article 1

1. The Government of the USA through its Commodity Credit Corporation's Export Credit Sales Program hereby makes available a total amount of US \$750 million credit for financing the payment for USA grown grains (at buyer's option—wheat, corn, barley, sorghum, rye, oats) purchased by the USSR in the USA under this Agreement. Such total amount may be increased by the USA.

2. The USSR through its foreign trade organizations shall purchase from private United States exporters not less than US \$750 million port value of such grains (at buyer's option—wheat, corn, barley, sorghum, rye, oats) for delivery during the three-year period August 1, 1972, through July 31, 1975, and of such amount not less than US \$200 million shall be purchased for delivery prior to August 1, 1973. In case of purchases of such grains for cash for delivery during the period of August 1, 1972, through July 31, 1975, the U.S. dollar amount of such purchases shall be counted as if they were made on credit terms under this Agreement.

3. The following provisions shall apply with respect to the credit referred to in Section 1 of this Article 1.

3.1 It shall continue to be available, if not previously exhausted, for deliveries made not later than July 31, 1975.

3.2 The total amount of credit outstanding at one time shall not exceed US \$500 million.

3.3 Delivery for purchases shall be F.A.S. or F.O.B. port of export and interest shall run from date of delivery. The date of delivery shall be the on-board date of the ocean bill of lading.

3.4 The principal and interest for credit arising under each delivery shall be payable by the USSR as follows: one-third of the principal annually, plus accrued interest on the outstanding principal balance to the date of each principal payment.

3.5 The amount of credit for each delivery will be limited to the United States port value of the commodity, without ocean freight, insurance, or other charges or costs.

3.6 The interest rate for purchases under this Agreement for which delivery is made not later than March 31, 1973, shall be  $6\frac{1}{8}\%$  per annum on that portion of the obligation confirmed by a USA bank. This rate of interest for that portion of the obligation confirmed by a USA bank shall be applicable during the whole three-year period for repayment of the credit which arises under each delivery made not later than March 31, 1973.

## Article 2

This Agreement shall enter into force from the day of its signing and shall remain valid until all the obligations arising from it for both sides are fulfilled.

IN WITNESS WHEREOF, the undersigned, duly authorized thereto, have signed this Agreement.

DONE at Washington this 8th day of July 1972 in duplicate, in the English and Russian languages, each text equally authentic.

FOR THE GOVERNMENT OF THE  
UNITED STATES OF AMERICA:

/s/  
Peter G. Peterson

/s/  
Earl L. Butz

FOR THE GOVERNMENT OF THE  
UNION OF SOVIET SOCIALIST  
REPUBLICS:

/s/  
M. Kuzmin

## EXCHANGE OF LETTERS

WASHINGTON, D.C., *July 8, 1972*

DEAR MR. FIRST DEPUTY MINISTER:

In connection with signing today of the Agreement between the Government of the United States of America and the Government of the Union of Soviet Socialist Republics with respect to purchases of Grains by the Soviet Union in the United States and Credit to be made available by the United States, we have the honor to confirm the understanding on interpretation reached between us that:

1. As to matters not covered in the above Agreement, the credits for grain purchases under the Export Credit Sales Program shall be governed by the "Regulations Covering Export Financing of Sales of Agricultural Commodities under the Commodity Credit Corporation Export Credit Sales Program (GSM-4)" effective in the USA on the day of signing this Agreement.

2. Grains purchased under the above Agreement shall be consumed primarily in the USSR. However the USSR shall have the right to divert some portion of the grain for consumption in European countries presently full members of the Council for Mutual Economic Assistance.

Please accept, Mr. First Deputy Minister, the assurances of our highest consideration.

/s/  
Peter G. Peterson

/s/  
Earl L. Butz  
*Heads of the USA Government  
Delegation*

The Honorable M. R. KUZMIN  
*Head of the USSR Government Delegation  
Washington, D.C.*

*Translation*

MINISTRY OF FOREIGN TRADE  
U.S.S.R.

WASHINGTON, D.C., *July 8, 1972*

DEAR SIRs,

In connection with the signing today of the Agreement between the Government of the Union of Soviet Socialist Republics and the Government of the United States of America with respect to purchases of grains by the Soviet Union in the United States and credit to be made available by the United States, I have the honor to confirm the understanding on interpretation reached between us that:

1. As to matters not covered in the above Agreement, the credits for grain purchases under the Export Credit Sales Program will be governed by the "Regulations Covering Export Financing of Sales of Agricultural Commodities under the Commodity Credit Corporation Export Credit Sales Program (GSM-4)" effective in the USA on the day of signing this Agreement.

2. Grains purchased under the above Agreement will be consumed primarily in the USSR. However, the USSR will have the right to divert some portion of the grain for consumption in European countries presently full members of the Council for Mutual Economic assistance.

Accept, Sirs, the assurances of my highest consideration.

/s/  
*Head of the USSR Government  
Delegation*  
M. KUZMIN

The Honorable PETER G. PETERSON  
The Honorable EARL L. BUTZ  
*Heads of the U.S. Government Delegation  
Washington, D.C.*

# III. The Maritime Agreement, October 14, 1972

## SUMMARY FROM THE WHITE HOUSE FACT SHEET

### OBJECTIVES

The Agreement has two basic objectives; first, to open the channels of maritime commerce between the two nations by opening major U.S. and Soviet commercial ports to calls by specified kinds of U.S.-flag and Soviet-flag vessels; and, secondly, to afford to U.S.-flag vessels and Soviet-flag vessels the opportunity to participate equally and substantially in the carriage of all cargoes moving by sea between the two nations.

### SALIENT POINTS OF THE AGREEMENT

*Port Access.* The Agreement provides access to specified Soviet and United States ports to flag vessels of both countries engaged in commercial maritime shipping and merchant marine training activities. Under the Agreement, 40 ports in each nation are open to access by vessels of the other nation upon four days' advance notice to the appropriate authorities. The selection of the ports was based on commercial considerations, reasonable reciprocity and protection of national security interests. The U.S. ports open to access by Soviet vessels are listed in Appendix I, while Soviet ports open to access by U.S. vessels are listed in Appendix II of the Agreement.

While the four-day notice requirement is more than the normal 24-hour notice period applicable to commercial vessels, it is substantially less restrictive than the 14-day advance request requirement now applied by the United States to Soviet vessels and the 14-day advance request required by the U.S.S.R. for U.S. vessels. Entry of vessels to ports not specified in the Agreement will continue to be permitted in accordance with existing rules and regulations, i.e., the 14 day prior request provisions will still

apply. Requests for entry by Soviet vessels to U.S. ports not specified in the Agreement must be made of the Department of State, Washington, D.C.; and must be accompanied by an itinerary complete with ports of call and dates. Maritime training vessels and hydrographic and other research vessels may enter the ports only for purposes of resupply, rest, crew changes, minor repairs and other services normally provided in such ports.

The Agreement does not involve any concessions in the policy of the United States with respect to ships which have called on Cuban, North Vietnam, or North Korean ports. Soviet vessels which have called or will call on Cuba, North Vietnam, or North Korea will not be permitted to bunker in U.S. ports and Soviet vessels which have called on Cuba or North Vietnam will not be permitted to load or unload in U.S. ports government-financed cargoes such as grains sold on Commodity Credit Corporation credit terms.

In addition, the Agreement contemplates the access of initially 81 U.S. and 50 Soviet vessels engaged in hydrographic, oceanographic, meteorological or terrestrial magnetic field research of a civilian nature. The Agreement does not include vessels engaged in fishing or related activities since these matters are covered by separate agreements, nor does it include warships or vessels carrying out state functions other than those mentioned above. It is not intended to cover any liquified natural gas trade which may develop between the nations.

### TONNAGE DUTIES

Under the Agreement, neither nation shall charge vessels of the other tonnage duties



which exceed duties charged to vessels of other nations in like situations.

### EQUAL AND SUBSTANTIAL SHARING

The Agreement sets forth the intention of both governments that the national-flag vessels of each country will each carry equal and substantial shares of the oceanborne commerce between the two nations. At the same time the Agreement recognizes the policy of both the United States and the Soviet Union with respect to participation in its trade by third-flag vessels.

The intention that a substantial share of the trade between the two nations will be carried by each national flag merchant marine is defined as meaning that the national-flag vessels of each nation will have the opportunity to carry not less than one-third of all cargoes moving in whole or in part by sea between the two nations, whether by direct movement or by transshipment through third countries. In the case of grain shipments, the one-third requirement is to be applied retroactively to all shipments since July 1, 1972.

Equal share of the trade between the two nations is measured on the basis of U.S. dollar freight value of cargo carryings by the national-flag vessels of each party during each calendar year accounting period. Special accounting procedures are established to determine on a uniform basis the U.S. dollar freight value of cargo carryings and to protect against the possibility of disparities caused by the undervaluing of freight rates to increase the volume of cargo carried. These procedures are also designed to permit continuous monitoring so as to maintain parity of carriage throughout the accounting period. Cargoes carried in liner vessels and bulk cargoes carried in non-liner service are accounted for separately under the Agreement due to the difference in the methods of establishing freight rates.

The opportunity for carriage of equal and substantial shares of the trade between the two nations by national-flag ships is to be assured by the routing of controlled cargoes, i.e., cargoes with respect to which entities of either government have the power to designate the carriage. On the U.S. side, this includes only those cargoes which are subject to U.S. gov-

ernment control under our cargo preference laws. On the Soviet side, all exports and imports for which entities of the U.S.S.R. have or could have the power at any time to designate the carrier are included.

Recognition has been given to the practical commercial consideration that vessels of either nation may not be available to carry the amount of cargo to which they are entitled under the principles of the Agreement. Under such circumstances, a limited variance from the equal and substantial sharing rules is provided. Such variance is permitted where the cargo was offered on reasonable terms and conditions and where the unavailability of national-flag carriers is certified by a representative of the U.S. Maritime Administration or U.S.S.R. Ministry of Merchant Marine, as the case may be. Even though unavailability has been certified by the appropriate representative, there is still an obligation to continue to offer controlled cargo to restore the one-third share if possible within the same calendar year.

*Freight Rates.* The matter of freight rates to be paid to U.S. vessels is an important provision of the Agreement. With respect to liner service, U.S.-flag carriers should face no significant problems because U.S. vessels can participate in this trade under the conference-rate system with the assistance of the U.S. operating subsidy program. Rates for shipment of bulk cargo, such as grain, however, present a different situation. Bulk cargo is shipped in world trade under charter rates which are set in competition with ships of nations with far lower costs than American ships. The United States has never before had a subsidy system which permits its vessels to compete in the bulk grain trade, although such a subsidy system was legislatively authorized in 1970. In lieu of a subsidy system for bulk cargo, there were regulations which required shipments of grain to the Soviet Union to move 50% in U.S.-flag vessels. This, however, never resulted in significant carriage for U.S. vessels. Freight rates are a substantial part of the cost of grain and without subsidy the rates charged by U.S. flag carriers increased the cost of grain beyond the level buyers were willing to pay.

Under the Agreement, the two governments have worked out rate provisions for two cate-



gories of bulk cargo to be carried by U.S. vessels.

For nonagricultural bulk cargoes, the Agreement in essence provides that American vessels shall be paid in each year the average of the freight rate for that category of cargo on the route in question over the prior three calendar years.

The other and far more important category of charter rates is for agricultural commodities and products. With respect to these cargoes the Soviet Union will offer to United States vessels the *higher of*:

1. a rate computed on the 3-year average formula described above for the years 1969, 1970, and 1971. This rate for the route most expected to be used for the current grain sales is \$8.05 per ton for wheat and other heavy grains, or

2. 110 per cent of the current market rates for the shipment involved.

In addition to these provisions, for agricultural cargo the Soviet Union has also agreed to terms relating to unloading ships in the Soviet Union which are more favorable to United States vessels than would otherwise apply in this trade. Our maritime experts estimate these special terms represent a reduction from typical rates of at least \$1.75 per ton.

These special provisions for rates on agricultural cargo apply through June 30, 1973, by which time the parties will negotiate future rates. This will permit review of the actual workings of this rate system near the close of the current unusual grain shipment season.

#### TERM OF AGREEMENT

The Agreement remains in force through 1975, subject to earlier termination by either party on 90 days' notice.

#### UNITED STATES SUBSIDY

Although not part of the Agreement, a necessary part of achieving its objectives is that the United States pay a subsidy to its own vessels in the carriage of agricultural cargo. This is not a financial advantage to the Soviet Union since it could carry all this cargo in its own

vessels or third-flag vessels at lower costs than it will pay United States vessels. The combination of higher than market charter rates, and favorable terms for unloading, afforded U.S.-flag vessels reduces the subsidy costs.

The subsidy system, to be published shortly, is authorized under the Merchant Marine Act of 1970. Because the ships which will be involved in this trade, unlike U.S.-flag vessels carrying freight in the liner trade, have not received United States construction subsidies, the subsidy to be provided will take into account the amount by which U.S. construction costs exceed foreign construction costs. In order to keep the subsidy at a minimum, it has basically been designed to create no more than a break even situation at \$8.05 for most ships which will be likely to participate. The estimated subsidy paid to vessels carrying agricultural cargo under the Agreement will be in the range of \$8.00 to \$10.00 a ton, if market rates stay in the range of \$9.00 to \$11.00 a ton, which compares to the current subsidy of about \$19.00 per ton on PL-480 grain shipments.

Among provisions limiting the subsidy paid for movements under the Agreement will be the following:

1. Where market rates exceed the \$8.05, all of the excess paid by the Soviet Union over market (i.e., 10% premium) is used to reduce the subsidy;

2. When the market rate is \$9.00 or more, a substantial part of the amount over \$9.00 will be used to reduce the subsidy;

3. Each subsidy contract will have a renegotiation clause to ensure that no excess profits are made.

The exact amount of subsidy which will be involved with respect to carrying the American share of the grain cargo is difficult to predict with precision because it depends on factors such as: (1) the volume of the Soviet grain trade actually carried by U.S. ships (which will be reduced to the extent that more attractive carriage is available [such as PL-480 or oil]); (2) the level of market rates, since the U.S. subsidy paid will be substantially reduced as market rates go up.

## WHITE HOUSE PRESS CONFERENCE

PRESS CONFERENCE  
OF  
SECRETARY OF COMMERCE  
PETER G. PETERSON  
OCTOBER 14, 1972

12:20 P.M. EDT

MR. ZEIGLER: I believe you know that the President has just finished a meeting with the Minister of the Merchant Marine of the Soviet Union, Timofey Guzhenko, and the Secretary of Commerce, Pete Peterson.

Also sitting in the meeting was Ambassador Dobrynin and Peter Flanigan. We have given you the material regarding the agreement that was signed this morning by the Secretary and the Minister. Secretary Peterson is here to take your questions and discuss it with you.

Q How long was the meeting?

MR. ZEIGLER: The meeting lasted 33½ minutes.

SECRETARY PETERSON: We signed, this morning, a three-year maritime agreement with the Soviet Union. We consider this an indispensable first step in beginning the new era of expanded commerce with the Soviet Union that President Nixon and General Secretary Brezhnev announced as a result of the Moscow Summit meetings.

I say it is an indispensable catalyst, of course, because it is obvious that if you cannot ship products, you cannot sell them and, therefore, trade. These discussions have been long and difficult—they have lasted nearly a year—particularly in recent weeks, with the very special problems brought about by the unprecedented volume of grain.

I believe we now have an agreement that not only recognizes these special problems in a fair way, but builds a foundation for the kind of comprehensive commercial agreements that we hope to have with the Soviet Union.

I would like to summarize very briefly the main provisions of the agreement. First of all, it provides for equal and substantial sharing of trade by American and Soviet ships. It is contemplated that each country will carry one-

third of the total trade, leaving one-third for third countries.

The freight rates for grain will be \$8.05 a ton, or 110 percent of the market rate, whichever is higher. The Soviet Union has also agreed to reduce its normal unloading costs by what experts tell us is at least \$1.75 a ton.

I would like to say here that we appreciate the cooperative attitude of the Soviet Union in helping us share costs in what is clearly an unprecedented situation.

The agreement also provides access to 40 ports on each side, under substantially more favorable terms than previously. For example, much less advance notice is required; only four days. It provides for specific kinds of vessels and purposes, which are obviously commercial, research, and training; in short, peaceful purposes.

It is initially anticipated that some 81 U.S. ships and some 50 Soviet research and training vessels will have port access.

Quite beyond the very important contribution to the prospects for peace that we believe this indispensable first-step agreement provides, I think there are some very direct economic benefits to our country that I would like to briefly state.

First of all, it gives us the opportunity to realize some of the direct economic benefits from the unprecedented sale of grain. As the President indicated the other day, the Office of Management and Budget has demonstrated that already there are over \$200 million net savings to the taxpayers after considering the cost of export subsidies. For example, these savings to the taxpayer come about from reduction of storage surpluses, from reduction of storage costs. I have seen estimates of the increased job and employment opportunities that this particular maritime agreement offers in the maritime field. Experts tell me that we can expect that at least 5,000 American seamen, long-shoremen, and shipyard workers now have expanded employment opportunities.



I would also like to say that without the cooperation of the maritime unions, this agreement would not have been possible. I think there are job effects, however, that go far beyond the maritime workers. We have done a number of estimates where we have projected the future structure of trade with the Soviet Union. It now seems clear that for a considerable period of time we will have a significant balance of trade surplus with the Soviet Union.

But in digging a little deeper into the precise structure of this trade, it also emerges that we will be exporting essentially job-intensive machinery and equipment of all types, and our imports will tend to be predominantly in the field of low job-intensive raw materials of various kinds. Thus, in addition to having a significant balance of trade surplus, we will also have a significant balance of job surplus, and the important economic benefits that that provides.

I would be happy now to take your questions.

Q Mr. Secretary, where it says that ships that have called at Cuba cannot have bunkering facilities, does that mean on that particular trip, or does it mean ever?

SECRETARY PETERSON: Any ship that has been to Cuba will not have bunkering possibilities offered to it in the United States. Is that right, Mr. Lynn?

MR. JAMES T. LYNN (Under Secretary of Commerce): These provisions with respect to bunkering are contained in the export control regulations. Under those regulations, there is no general license permitted for bunkering of vessels that have called or will call on the three countries mentioned.

Q At any time in their shipping life?

MR. LYNN: That is right.

Q Then how could a ship, a Soviet ship that has traded with Cuba, for instance, and is not picking up a Government-financed cargo, how would it go about picking up a cargo that is private in this country?

SECRETARY PETERSON: If it were Government-financed cargo, it would do its bunkering elsewhere.

Q As I understand the agreement, it could not pick up.

SECRETARY PETERSON: There are two issues; first, the bunkering issue, and I think we have already clarified that.

With regard to ships in our ports, what the agreement provides is for commercial cargo. To give an example of what is not a commercial cargo, for example, it is cargo that is financed by the Federal Government, as in the case of CCC credits.

Q But, in other words, a ship that has been to Cuba, for instance, could come into an American harbor simply to pick up a commercial cargo and have to turn around and go right back out?

SECRETARY PETERSON: I am not sure I get the question.

Q What I don't understand is the bunkering aspect. If a Soviet ship is coming from Cuba to an American port, it cannot be bunkered in an American port?

SECRETARY PETERSON: No, but it is feasible for a ship to be bunkered elsewhere.

Q In Cuba?

SECRETARY PETERSON: Countries outside of the United States. All we are saying is that they will get their bunkering taken care of there.

Q Has Mr. Gleason given his assent to you to load and unload such ships with commercial cargoes?

SECRETARY PETERSON: Yes. I have talked with Mr. Gleason as recently as yesterday. He has indicated that he does support this agreement. He thinks it is a constructive agreement in all respects.

Q Can you explain the problem that arose over the freight rates, and how you resolved that? Would you say that the Soviets have given in and made a concession on that point?

SECRETARY PETERSON: Let's review some of the history here.

In the earlier negotiations, we had discussed a freight rate that was based on a three-year



moving average, which turned out to be \$8.05. At that time, the world market rates had been as low as \$5.00, \$5.25; more recently in the range of \$6.00 or \$6.50.

The unprecedented and, I think, unanticipated volume of business with the Soviet Union gave rise to some very sharp increases in those rates. They jumped precipitously, really, upward, if that is possible, from about \$6.50 pre-October to as much as \$9.05 or \$9.00 on two fixtures in early October. Therefore, had the other agreement prevailed, we would have been in a position of offering freight rates to the Soviet Union that would have been less than the market rates.

It seemed to us that this was a factor that I believe lawyers refer to as a force majeure, quite literally, perhaps an act of God brought about by the extraordinary combination of a poor winter crop and a poor summer crop. We felt that this was a sufficient change in the context, in the assumed environment of the deal, that it warranted its being renegotiated.

I would certainly not want to characterize the attitude of the Soviet Government as caving in. We are here at the beginning of what we believe will be a new era. This is simply a passing, and I think a quite unusual, event. When we discussed with the Soviet Union the fact that there had been these extraordinary increases, and that we felt it was appropriate that there be a fair sharing, you might even call it a burden sharing of the unusual costs that it implied, they cooperated with us and we now have this agreement. But I would not want to characterize what they did as giving in.

Q Could you discuss the change in terms of subsidies? I notice in the Fact Sheet you stress the problems of calculating these, but can you give us any estimate on how the new rate agreement has changed the subsidy obligation?

SECRETARY PETERSON: Yes. Previously you will recall that there had been provisions providing for 50-50 sharing of cargoes. It turned out that this arrangement was more theoretical than a real arrangement, because the costs of shipping, using American bottoms, was substantially higher than third-flag bottoms.

We are dealing here, we all must remember, with a commodity, and, therefore, the practical effect of it was that virtually no shipping took place under that arrangement. The Merchant Marine Act of 1970 passed by the Congress provides the authority—in fact, it encourages the notion—for an expanded and stronger maritime industry, and provides authority for providing subsidies under bulk cargo conditions.

Now, under the arrangement that we now have, there are several factors that will determine that particular subsidy rate. All of this 10 percent premium that the Soviet Union will be paying over market rate, for example, will obviously tend to reduce that subsidy, since all of that comes back to the United States Government.

Secondly, a substantial segment of the amounts above \$9.00 a share will come back to the Government, which will also reduce the subsidy.

Third, we have renegotiation contracts, provisions that will be put into the agreement which will assure us that there will be no excess profits.

It is difficult to tell you the exact amount of the subsidy for the simple reason that it depends, obviously, on the market rates that exist at the time. It is our best estimate at the present time that in the kind of range that we are now talking about on market rates, we have a subsidy per ton that is in the range of \$8.00 to \$10.00 if we assume the market rate stays in the \$9.00 to \$11.00 range.

That can be compared to the most recent current subsidies on the P.L. 480 wheat shipments of approximately \$19 per ton.

Q Can you define "substantial segment"?

SECRETARY PETERSON: Miss Berger, the actual operating agreements with the ship owners will be out shortly. We will have all of those provisions in there. Essentially, the concept is that when the rate gets above a certain figure, \$9.00 in this case, and then \$10.00, the "substantial", which is to say substantially over half of those amounts will be used to reduce the subsidy payments.

We will be announcing the details on that the early part of next week.

Q You have no dollar figures for the subsidy; in other words, how much it will cost?

SECRETARY PETERSON: There is no way of giving you a precise estimate on that, since it depends on the market rate. The higher the market rates, the lower the subsidy. It depends on how many ships end up taking the opportunity that is being offered to them to carry grain.

You can appreciate that if, for example, there are P.L. 480 shipments available, or oil shipments available, with a cold winter one would expect them to take that, which will reduce the ships that would be on this particular grain kind of shipment. So I think it is pretty hard to give you really a very good estimate on that.

Q Does the one-third agreement refer to non-bulk agricultural products such as machinery?

SECRETARY PETERSON: It refers to one-third of the total trade.

Q Is that shipping also subsidized? What is the rate on non-agricultural products at this time?

SECRETARY PETERSON: It varies by the kind of freight. This has, however, been in existence for some time now. We will be glad to provide that to you by category of ship. But it is in current operation.

Q Is the U.S. rate substantially above the world rate, or is this already subsidized by the previous U.S. Government subsidies?

SECRETARY PETERSON: Mr. Gibson, do you want to handle this?

MR. ANDREW E. GIBSON (Assistant Secretary of Commerce for Domestic and International Business): The general cargo is carried at world rates now. There is no differential. The previous subsidy programs were intended to give the American owner parity. So they were carried at world rates.

Q Mr. Secretary, how many ports were accessible on each side before this agreement; and secondly, why is there a four-day advance notice required in view of the fact that normally

it is something like one day for all the other countries of the world?

SECRETARY PETERSON: Why don't we let Mr. Gibson answer this? He participated very actively in the earlier stages of this negotiation.

MR. GIBSON: The Soviet ports have always been available, as have the U.S. ports, on a request basis. It is impossible to carry on a commercial business unless you can be assured of entry.

The basic change here is that they are now assured of entry into these 40 ports with a mere notification, where before it was always on request, which had to be granted before they could enter. The difference between the four days and the 24 hours—in other words, all ports have a requirement for notification. In the case of the ships of the various bloc countries, this is substantially a relaxation of the previous requirements. It acknowledges there is still some difference in these ships than some of the other Western European nations.

Q Mr. Secretary, how would you assess now the prospect for the overall trade pact?

SECRETARY PETERSON: We have been in very detailed, intensive, I would say fruitful negotiations for approximately three weeks now with the various work groups of our Joint Commission, and I think working very productively. I think it is always dangerous to predict timetables when there are items that remain open.

I am pleased to be able to report that the number of items that remains open has certainly been reduced substantially. There are, however, still a few items that must be resolved. In general, I am very encouraged by our progress, but I think it would be premature to put a date on the negotiations.

Q Are you still hopeful of meeting a deadline at the end of this year?

SECRETARY PETERSON: Yes. I have said, and after Dr. Kissinger's visit you will recall that he indicated that he thought that could be met or exceeded. I would say that the events of recent weeks have confirmed, I think, our joint view that the negotiations will be successful and that they will be successful prior to



the end of the year, perhaps in the relatively near future. But until we actually negotiate these final items I think it would be unduly speculative to give you a date.

Q Mr. Secretary, in order to figure out how much subsidy is involved in the grain shipment, should one multiply \$8 to \$10 by the number of tons?

SECRETARY PETERSON: No. The reason that is not the case is two-fold: In the first place, there is the question of how many tons will actually be carried by American ships, which, of course, depends on the other alternatives or options that they have.

As I indicated earlier, if they have P.L. 480 options or oil options which would be considerably more profitable than these arrangements, which at \$8 are about at the breakeven point, we would expect these ships not to carry grain but to move to those products.

The second very important variable here is the question of what the market rates are. For example, if the market rates are as high as \$12—and incidentally, there are some people who predict they could be in those ranges; I am not making any predictions on market rates, I am just telling you what is reported to us from outside experts—the subsidy could go down in the range of \$7 or \$7.50. If the rates are in the \$9 to \$11 range the subsidy could be \$8 to \$10.

You must take into account two factors: how much shipping will take place and what the market rates will be, since we have devised a system to lower the market rates.

Q What if there are not enough ships available to take enough grain?

SECRETARY PETERSON: What the Maritime Agreement offers, Miss Berger, is the reasonable opportunity to our ships to carry one-third. The Maritime Administration office in our Department will audit the operational meaning of a "reasonable opportunity." There is a provision that suggests that if ships are not available at one point the opportunity will be made later, but if there has been full and reasonable opportunity given to American ships and they choose to take other options that they consider are more desirable, then there is not a minimum requirement of one-third, but only that

there be full and reasonable opportunity to carry a third.

Q To pursue the point, if one-third of the grain is carried in American ships and if the subsidy averages, say \$9, what would the cost be?

SECRETARY PETERSON: Under those conditions, and you understand that I am not accepting all those assumptions of yours, but it would be a matter of multiplying something over five million tons by \$5, if that were to happen.

Q Is that a reasonable rough estimate?

SECRETARY PETERSON: You are trying to get me to make a projection of market rates. All I can give you is the range. I suppose a reasonable thing for you to do is assume high market rates and discount the amount that will be taken and multiply those two numbers and take the higher side number of the type you are talking about.

Q Then you will have to tell us how much the shippers are going to give back because until we know that we can't do the multiplication.

SECRETARY PETERSON: That is right. I want to have another day when I can have the opportunity of seeing you. I don't want to foreclose that option.

Q May I ask about the apportioning of cargoes which are under government control one way or another by each side? Is it fair to say that the Soviets have a great deal more control than the U.S.?

SECRETARY PETERSON: Yes, that is right. This is why the agreement as now negotiated makes it very clear that cargoes in which the governments either do or could have the power to direct the cargoes shall be included in the total. In the case of the Soviet Union, given the nature of their system, of course, that is essentially all of the cargo.

Q Mr. Secretary, is it fair to say that the Soviet Union went back and renegotiated this mainly because they needed the wheat so badly?

SECRETARY PETERSON: I think it is always difficult to imagine why somebody else



does something. I think in the discussion this morning with the President that it was clear that we have a long-term relationship that we are looking at with the Soviet Union. This is not just a one-time transaction on a particular commodity. It is truly a whole new era. It has enormous implications in terms of our political relationship.

I would imagine the Soviet Union took that longer-term, larger-view relationship as one reason they were willing to renegotiate and share some of these burden costs I referred to earlier. I would express again my appreciation to them for taking that attitude.

Q When was final agreement reached?

SECRETARY PETERSON: I would say the latter part of yesterday afternoon.

Q Do you feel, Mr. Secretary, that you have been schnookered on the rates, that you had been schnookered on some of the wheat deal, to use the President's phrase?

SECRETARY PETERSON: I don't see how anybody could say we have been schnookered in this arrangement. It provides for a premium over market rates, which I think is unprecedented. It provides for a reduction in normal shipping costs of \$1.75 a ton on top of that. I would have thought that most fairminded people, which I am sure you are, would acknowledge that we adequately represented the interests of the American taxpayer.

Q Why didn't force majeure come into play on the question of the grain? Could there have been any kind of renegotiation on the grain deal?

SECRETARY PETERSON: After the fact? What we are talking about here, Marilyn, obviously is an agreement which looks prospectively. We thought we had an event here of sufficient magnitude that it affected the prognosis of the future.

Q And on grain it had been wrapped up first?

SECRETARY PETERSON: It was a fait accompli. It had been done. But we still think, as I tried to point out, I hope successfully, that there were very important economic benefits of

the grain deal that I think many were largely unaware of.

Q The arbitration clause implies joint arbitration, but it doesn't specify a body. Is it just sort of joint negotiations? You said in your opening comments that you viewed this as laying the foundation for further agreements. Are we to assume that this is going to be the principle that is going to emerge in the trade arrangements? Is it going to be a joint arbitration, and if so, who is going to be the chairman?

SECRETARY PETERSON: I don't want to anticipate negotiations that are still underway. I have indicated on other occasions that one of the reasons the President has asked that we negotiate a comprehensive commercial agreement is to put in place the legal framework required to handle commercial disputes. Our view is that if we don't anticipate those disputes commercial problems could develop into political problems. We are now in the active process of negotiating a longer term method of handling arbitration. Presumably that kind of an arrangement would be available to us in the commercial arena, but it is premature for me to describe that.

Q On the basis of the grain moving into Soviet ports, can you give me an estimate of how much we have saved on the \$1.75 per ton that is being reduced.

SECRETARY PETERSON: Again, you have to ask yourself how many tons are going to be shipped on American bottoms, if the full amount were shipped, something over 5 million tons, you would be looking at a number like \$8 to \$9 million, due to that item alone.

Q Does that money go into the subsidy bank?

SECRETARY PETERSON: We took this into account in reducing the subsidy, that is right.

Q Will this mean this is the first time Soviet ships can be loaded in East Coast ports or have they been loaded before?

SECRETARY PETERSON: There is a history background here that we should share with you. Mr. Gibson can tell you about it.

MR. GIBSON: There have been no Soviet ships in East Coast or Gulf ports since 1963.

At that time President Kennedy, through an Executive Order, put in a provision that on any grain movements 50 percent would have to go on American ships, but no mechanism was provided to accomplish this. Inasmuch as the Soviets would not pay over world rates during that entire period, there has been no cargo moved from this country to the Soviet Union, let alone Soviet ships come in to carry it.

Q Mr. Secretary, do I understand that subsidy will not be available for such non-agriculture bulk commodities as oil, LNG, or ores?

SECRETARY PETERSON: We have specifically excluded LNG from this particular agreement. There are provisions that provide for non-agricultural commodities. Quite frankly, after exploring in depth with the Soviet Union what those particular commodities are, they

turn out to be something approaching de minimis.

Q The subsidy would be available?

SECRETARY PETERSON: The subsidy would be available under the bulk cargo act, but we have not provided for one. But it is insignificant, really, just because of the lack of trade in that area. We are authorized to do so, but it is essentially an academic matter.

Q Is the prospect of oil also insignificant in this context?

SECRETARY PETERSON: At the present time. We don't see any prospect during the term of this agreement for oil or gas.

THE PRESS: Thank you, gentlemen.

(AT 12:47 P.M. EDT)

## **AGREEMENT**

### **BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF THE UNION OF SOVIET SOCIALIST REPUBLICS REGARDING CERTAIN MARITIME MATTERS**

The Government of the United States of America and the Government of the Union of Soviet Socialist Republics;

Being desirous of improving maritime relations between the United States and the Soviet Union, particularly through arrangements regarding port access and cargo carriage by sea; and

Acting in accordance with Article Seven of the Basic Principles of Relations Between the United States of America and the Union of Soviet Socialist Republics, signed in Moscow on May 29, 1972,

Have agreed as follows:

#### **Article 1**

For purposes of this Agreement:

a. "Vessel" means a vessel sailing under the flag of a Party, registered in the territory of that Party, or which is an unregistered vessel belonging to the Government of such Party, and which is used for:

- (i) Commercial maritime shipping, or
- (ii) Merchant marine training purposes, or
- (iii) Hydrographic, oceanographic, meteorological, or terrestrial magnetic field research for civil application.

b. "Vessel" does not include:

- (i) Warships as defined in the 1958 Geneva Convention on the High Seas;
- (ii) Vessels carrying out any form of state function except for those mentioned under paragraph a of this Article.

#### **Article 2**

This Agreement does not apply to or affect the rights of fishing vessels, fishery research vessels, or fishery support vessels. This Agreement does not affect existing arrangements with respect to such vessels.

#### **Article 3**

The ports on the attached list of ports of each Party (Annexes I and II, which are a part of this Agreement) are open to access by all vessels of the other Party.

#### **Article 4**

Entry of all vessels of one Party into such ports of the other Party shall be permitted subject to four days' advance notice of the planned entry to the appropriate authority.

#### **Article 5**

Entry of all vessels referred to in subparagraphs a(ii) and a(iii) of Article 1 into the ports referred to in Article 3 will be to replenish ships' stores or fresh water, obtain bunkers, provide rest for or make changes in the personnel of such vessels, and obtain minor repairs and other services normally provided in such ports, all in accordance with applicable rules and regulations.



## Article 6

Each Party undertakes to ensure that tonnage duties upon vessels of the other Party will not exceed the charges imposed in like situations with respect to vessels of any other country.

## Article 7

While recognizing the policy of each Party concerning participation of third flags in its trade, each Party also recognizes the interest of the other in carrying a substantial part of its foreign trade in vessels of its own registry, and thus both Parties intend that their national flag vessels will each carry equal and substantial shares of the trade between the two nations in accordance with Annex III which is a part of this Agreement.

## Article 8

Each Party agrees that, where it controls the selection of the carrier of its export and import cargoes, it will provide to vessels under the flag of the other Party participation equal to that of vessels under its own flag in accordance with the agreement in Annex III.

## Article 9

The Parties shall enter into consultations within fourteen days from the date a request for consultation is received from either Party regarding any matter involving the application, interpretation, implementation, amendment, or renewal of this Agreement.

## Article 10

This Agreement shall enter into force on January 1, 1973; provided that this date may be accelerated by mutual agreement of the Parties. The Agreement will remain in force for the period ending December 31, 1975, provided that the Agreement may be terminated by either Party. The termination shall be effective ninety days after the date on which written notice of termination has been received.

IN WITNESS WHEREOF, the undersigned, being duly authorized by their respective Governments, have signed this Agreement.

DONE at Washington this 14th day of October 1972, in duplicate in the English and Russian languages, both equally authentic.

FOR THE GOVERNMENT OF THE  
UNITED STATES OF AMERICA:

FOR THE GOVERNMENT OF THE UNION  
OF SOVIET SOCIALIST REPUBLICS:

/s/  
Peter G. Peterson  
Secretary of Commerce

/s/  
Timofey B. Guzhenko  
Minister of Merchant Marine

## ANNEX I

### *Ports of the United States of America Open to Calls Upon Notice*

- |   |  |
|---|--|
| 1. Skagway, Alaska  | 21. New Orleans, Louisiana   |
| 2. Seattle, Washington  | 22. Baton Rouge, Louisiana   |
| 3. Longview, Washington   | 23. Mobile, Alabama  |
| 4. Corpus Christi, Texas  | 24. Tampa, Florida   |
| 5. Port Arthur, Texas   | 25. Houston, Texas   |
| 6. Bellingham, Washington   | 26. Beaumont, Texas  |
| 7. Everett, Washington  | 27. Brownsville, Texas   |
| 8. Olympia, Washington  | 28. Ponce, Puerto Rico   |
| 9. Tacoma, Washington   | 29. New York (New York and New Jersey<br>parts of the Port of New York Authority),<br>New York |
| 10. Coos Bay (including North Bend), Oregon   | 30. Philadelphia, Pennsylvania (including Cam-<br>den, New Jersey)                             |
| 11. Portland (including Vancouver, Washing-<br>ton), Oregon                         | 31. Baltimore, Maryland  |
| 12. Astoria, Oregon   | 32. Savannah, Georgia  |
| 13. Sacramento, California  | 33. Erie, Pennsylvania   |
| 14. San Francisco (including Alameda, Oak-<br>land, Berkeley, Richmond), California | 34. Duluth, Minnesota/Superior, Wisconsin  |
| 15. Long Beach, California  | 35. Chicago, Illinois  |
| 16. Los Angeles (including San Pedro, Wil-<br>mington, Terminal Island), California | 36. Milwaukee, Wisconsin   |
| 17. Eureka, California  | 37. Kenosha, Wisconsin   |
| 18. Honolulu, Hawaii  | 38. Cleveland, Ohio  |
| 19. Galveston/Texas City, Texas   | 39. Toledo, Ohio   |
| 20. Burnside, Louisiana   | 40. Bay City, Michigan   |

## ANNEX II

### *Ports of the Union of Soviet Socialist Republics Open to Calls Upon Notice*

- |                           |  |
|---------------------------|--|
| 1. Murmansk               | 21. Kherson                                |
| 2. Onega                  | 22. Novorossiysk                           |
| 3. Arkhangel'sk           | 23. Tuapse                                 |
| 4. Mezen'                 | 24. Poti                                   |
| 5. Nar'yan-Mar            | 25. Batumi                                 |
| 6. Igarka                 | 26. Sochi                                  |
| 7. Leningrad              | 27. Sukhumi                                |
| 8. Vyborg                 | 28. Yalta                                  |
| 9. Pyarnu                 | 29. Zhdanov                                |
| 10. Riga                  | 30. Berdyansk                              |
| 11. Ventspils             | 31. Nakhodka                               |
| 12. Klaipeda              | 32. Aleksandrovsk-Sakhalinskiy             |
| 13. Tallinn               | 33. Makarevskiy Roadstead (Roadstead Doue) |
| 14. Vysotsk               | 34. Oktyabr'skiy                           |
| 15. Reni                  | 35. Shakhtersk                             |
| 16. Izmail                | 36. Uglegorsk                              |
| 17. Kiliya                | 37. Kholmsk                                |
| 18. Belgorod-Dnestrovskiy | 38. Nevel'sk                               |
| 19. Il'ichevsk            | 39. Makarov Roadstead                      |
| 20. Odessa                | 40. Poronaysk                              |



## ANNEX III

### *Supplemental Agreement on National Flag Cargo Carriage*

WHEREAS, each Party recognizes the policy of the other concerning the participation of third flags in its trade, each Party also recognizes the interest of the other in carrying a substantial part of its foreign trade in vessels of its own registry and thus both Parties intend that their national flag vessels will each carry equal and substantial shares of the trade between the two nations in accordance with this Annex, and

WHEREAS, each Party has agreed that, where it controls the selection of the carrier for its export and import cargoes, it will provide to vessels under the flag of the other Party participation equal to that of vessels under its own flag, it is agreed as follows:

#### 1. DEFINITIONS

For the purpose of this Annex and the Agreement of which this Annex is a part:

a. "Substantial share of the trade between the two nations" means not less than one-third of bilateral cargoes.

b. "Bilateral cargo" means any cargo, the shipment of which originates in the territory of one Party and moves in whole or in part by sea to a destination in the territory of the other Party, whether by direct movement or by transshipment through third countries.

c. "Controlled cargo" means any bilateral cargo with respect to which a public authority or public entity of either Party or their agents has the power of designating the carrier or the flag of carriage at any time prior to such designation, and includes:

(i) on the United States side all bilateral cargo which a public authority or public entity of the United States has or could have the power at any time to designate the flag of carriage pursuant to cargo preference legislation, and

(ii) on the Soviet side all bilateral cargo imported into or exported from the territory of the U.S.S.R. where a commercial body or

other authority or entity of the U.S.S.R. has or could have the power at any time to designate the carrier.

d. "Accountable liner share" means the U.S. dollar freight value of liner carryings of controlled cargo by vessels under the flag of each Party, computed for accounting purposes using the conference rates in effect at the time of carriage or, in the absence of such rates, using other rates to be agreed between the two Parties.

e. "Accountable charter share" means the U.S. dollar freight value of carryings under contracts or arrangements covering the carriage of controlled cargo by vessels under the flag of each Party, which are not in liner service, computed for accounting purposes at rates to be agreed between the Parties. Accountable charter share will not include movements of any bulk cargoes in shipload lots of 8,000 long tons or more from the Union of Soviet Socialist Republics to the United States that are carried by the national flag vessels of either Party provided the conditions stated in subparagraph b of paragraph 3 of this Annex have been complied with.

f. "Accounting period" means a calendar year or any portion of an incomplete calendar year during which this Agreement is in effect.

#### 2. GENERAL OPERATING RULES

a. Each Party undertakes to ensure that its controlled cargo is directed in a manner which

(i) provides to vessels under the flag of the other Party an accountable liner share and an accountable charter share equal in each category to those of vessels under its flag, and which continually maintains parity during each accounting period, and

(ii) is consistent with the intention of the Parties that their national flag vessels will each carry not less than one-third of bilateral cargoes.

b. To the extent that bilateral cargo that is not controlled cargo is carried in a manner

which does not maintain parity between national flag vessels, computed in accordance with the principles specified in subparagraphs d and e of paragraph 1 of this Annex, the excess of such carriage will be added to the accountable liner share or accountable charter share, as the case may be, of the overcarrier and will be offset to the extent possible by an entitlement of a compensating share of controlled cargo in the appropriate category to the undercarrier.

c. Whenever vessels under the flag of one Party are not available to carry controlled cargo offered for carriage between ports served by such vessels with reasonable notice and upon reasonable terms and conditions of carriage, the offering Party shall be free to direct such cargo to its national flag or to third flag vessels. Cargo so directed to the offering Party's national flag vessels will not be included in its accountable liner share or accountable charter share for purposes of subparagraph a(i) of paragraph 2 of this Annex, if the designated representative of the other Party certifies that its national flag vessels were in fact unavailable at the time of the offer.

d. Cargo not carried in the vessels of a Party because of nonavailability of a vessel shall nonetheless be included in bilateral cargo for purposes of subparagraph a(ii) of paragraph 2 of this Annex, and controlled cargo shall continue to be directed to meet the undertakings of said subparagraph. To the extent that deficiencies in meeting the undertakings in such subparagraph exist at the end of an accounting period because of unavailability of vessels of a Party which the representative of that Party has certified were unavailable as provided above in subparagraph c of paragraph 2, the other Party shall not be required to make up such deficiency in the following accounting period.

e. To the extent consistent with the foregoing provisions of this paragraph 2, each Party is free to utilize the services of third flag shipping for the carriage of controlled cargo.

### 3. SPECIAL BULK CARGO RULES

a. When controlled bulk cargo is carried from the United States to the Union of Soviet Socialist Republics by U.S.-flag vessels, such

cargo shall be carried at a mutually acceptable rate, provided that this shall not prevent the offering and fixing of a lower rate if such lower rate is accepted by a U.S.-flag carrier at the time of offering.

b. It is recognized that movements of any bulk cargoes in shipload lots of 8,000 long tons or more from the Union of Soviet Socialist Republics to the United States shall be carried at the then current market rates. In furtherance of this objective, an equivalent quantity of such controlled cargoes as are offered to Soviet-flag vessels will be offered to U.S.-flag vessels at the current charter market rate and with reasonable notice. Any offerings of such cargoes that are not accepted by U.S.-flag vessels may be carried by Soviet-flag vessels or other vessels.

### 4. IMPLEMENTATION

a. Each Party shall designate a representative for implementation of the principles and rules of this Annex, the representative of the United States being the Maritime Administration, Department of Commerce, and the representative of the Union of Soviet Socialist Republics being the Ministry of Merchant Marine. Each Party shall authorize its representative to take action under its laws and procedures, and in consultation with the designated representative of the other Party, to implement this Annex, as well as to remedy any departure from the agreed operating rules.

b. The Parties further agree that the designated representatives shall:

(i) meet annually for a comprehensive review of the movement of bilateral cargo and for such other purposes related to the Agreement as may be desirable;

(ii) engage in such consultations, exchange such information and take such action as may be necessary to insure effective operation of this Annex and the Agreement of which this Annex is a part;

(iii) make mutually satisfactory arrangements or adjustments, including adjustments between accounting shares and accounting periods, to carry out at all times the objectives of this Annex and the Agreement of which this Annex is a part. Any departures

from such objectives shall be accommodated on a calendar quarterly basis to the extent possible and in no event shall departures be permitted to continue beyond the first three months of the next accounting period; and

(iv) resolve any other problems in the implementation of this Annex and the Agreement of which this Annex is a part.

## 5. COMMERCIAL ARRANGEMENTS

a. The Parties recognize that, pursuant to

their respective laws or policies, carriers under their flags may enter into commercial arrangements for the service and stabilization of the trade between them which shall not unduly prejudice the rights of third-flag carriers to compete for the carriage of controlled cargo between the territories of the Parties.

b. Such commercial arrangements shall not relieve the Parties of their obligations under this Annex and the Agreement of which this Annex is a part.



## EXCHANGE OF LETTERS

WASHINGTON, October 14, 1972

DEAR MR. MINISTER:

In connection with the signing today of the Agreement between the Government of the United States of America and the Government of the Union of Soviet Socialist Republics concerning certain maritime matters, I have the honor to confirm the understandings set forth in your letter of even date that:

1. Under sub-paragraph a of paragraph 3 of Annex III of that Agreement, the term "mutually acceptable rate" means a rate equal to the average of the market charter rates for the three calendar years preceding the current accounting period for the relevant route and category of cargo. It is understood that such average market charter rate will apply irrespective of the current conditions of the freight market and may be higher or lower than the current market level. Market charter rates will be determined from published sources acceptable to both Parties. Where such published market charter rates do not exist for a relevant route or category of cargo, agreed adjustments will be made to published market charter rates for the most comparable route or category of cargo.

2. The provisions of the foregoing paragraph shall not apply to rates for shipments of raw or processed agricultural commodities. Under sub-paragraph a of paragraph 3 of Annex III of that Agreement the term "mutually acceptable rate" as applied to shipments of raw and processed agricultural commodities means:

a. With respect to fixture made prior to July 1, 1973 the higher of: (i) a rate for the cargo and route involved computed upon the formula of the average of market charter rates set forth in paragraph 1 of this letter for the years 1969, 1970 and 1971; or (ii) the current market charter rate for such cargo and route plus ten percent (10%) of such rate. Current market charter rates referred to above will be determined at the time of each fixture from current sources acceptable to both Parties. Where such market charter rates do not exist for a relevant route or category of cargo, agreed adjustments will be made to current market charter rates for the most comparable route and category of cargo.

b. With respect to fixtures made after June 30, 1973, rates based upon such amounts or formulas as the Parties may hereafter agree upon, and for that purpose the United States Maritime Administration and the Ministry of Merchant Marine of the Soviet Union shall convene prior to June 30, 1973 to discuss and reach agreement upon such rates.

Very truly yours,

/s/

PETER G. PETERSON

*Secretary of Commerce  
of the United States of America*

His Excellency TIMOFEY B. GUZHENKO  
*Minister of Merchant Marine of the  
Union of Soviet Socialist Republics*

MOSCOW, October 14, 1972

DEAR MR. P. G. PETERSON:

In connection with the signing today of the Agreement between the Government of the United States of America and the Government of the Union of Soviet Socialist Republics Concerning Certain Maritime Matters, I have the honor to confirm the understandings reached between us with regard to the following:

1. Under sub-paragraph a of paragraph 3 of Annex III of that Agreement, the term "mutually acceptable rate" means a rate equal to the average of the market charter rates for the three calendar years preceding the current accounting period for the relevant route and category of cargo. It is understood that such average market charter rate will apply irrespective of the current conditions of the freight market and may be higher or lower than the current market level. Market charter rates will be determined from published sources acceptable to both Parties. Where such published market charter rates do not exist for a relevant route or category of cargo, agreed adjustments will be made to published market charter rates for the most comparable route or category of cargo.

2. The provisions of the foregoing paragraph shall not apply to rates for shipments of raw or processed agricultural commodities. Under sub-paragraph a of paragraph 3 of Annex III of that Agreement the term "mutually acceptable rate" as applied to shipments of raw and processed agricultural commodities means:

a. With respect to fixtures made prior to July 1, 1973 the higher of: (i) a rate for the cargo and route involved computed upon the formula of the average of market charter rates set forth in paragraph 1 of this letter for the years 1969, 1970 and 1971; or (ii) the current market charter rate for such cargo and route plus ten percent (10%) of such rate. Current market charter rates referred to above will be determined at the time of each fixture from current sources acceptable to both Parties. Where such market charter rates do not exist for a relevant route or category of cargo, agreed adjustments will be made to current market charter rates for the most comparable route and category of cargo.

b. With respect to fixtures made after June 30, 1973, rates based upon such amounts or formulas as the Parties may hereafter agree upon, and for that purpose the United States Maritime Administration and the Ministry of the Merchant Marine of the Soviet Union shall convene prior to June 30, 1973 to discuss and reach agreement upon such rates.

Very truly yours,

/s/

T. B. GUZHENKO  
*Minister of the Merchant Marine  
of the USSR*

Honorable PETER G. PETERSON  
*Secretary of Commerce, United States of America  
Washington, D.C.*

N. ZUEV, *President*  
SOVFRACHT  
Moscow G-200  
SMOLENSKAJA Sq., 32/34

*October 14, 1972*

Honorable ROBERT J. BLACKWELL  
Assistant Secretary for Maritime Affairs  
U.S. Department of Commerce  
Washington, D.C. 20230  
U.S.A.

DEAR MR. BLACKWELL:

Enclosed is a copy of the letter which SOVFRACHT proposes to transmit to its chartering agents and which sets forth the charter party terms which we have agreed upon for fixtures made for the carriage of raw and processed agricultural commodities by American flag bulk cargo vessels under the Agreement Between the Government of the United States of America and the Government of the Union of Soviet Socialist Republics Regarding Certain Maritime Matters executed today.

Also enclosed is the schedule of rates we have agreed upon for practical purposes to be used under that Agreement in place of a precise calculation of the three year average rate for 1969, 1970, and 1971 for the carriage of specified categories of raw and processed agricultural commodities by American flag bulk cargo vessels on the routes specified, for fixtures made prior to July 1, 1973.

With respect to Item 5 of the charter party terms, relating to cargo insurance, we hereby confirm our verbal advice to you that we will enter into discussions with officials of INGOSSTRAKH for the purpose of directing the placement of a portion of the marine cargo insurance coverage for shipments of raw and processed agricultural commodities with United States underwriters.

Very truly yours,

/s/  
N. ZUEV  
*President*

Enclosures



MR. N. ZUEV, *President*  
SOVFRACHT  
MOSCOW G-200  
SMOLENSKAJA Sq., 32/34

DEAR MR.

I wish to draw your attention to the following terms which have been agreed upon for the chartering of American flag tonnage for the carriage of grain to the Soviet Union:

1. The chartering of tankers is satisfactory to us.
2. The tonnage to be lifted by vessels will be limited only by draft limitations of the loading port since lightening down to the draft limitations of the discharge port is permitted.
3. Charters guarantee 32/33 feet salt water draft at discharge port. Lighterage, if any, down to 32/33 feet salt water draft to be at receiver's risk and expense and time used to count as lay time, owner contributing to receivers \$3.50 per long ton of cargo lightened.
4. The rates for demurrage per day or prorata for part of a day are as follows:

for vessels loading less than 15,000 long tons	\$3,000 U.S. Ccy
for vessels loading between 15,000 and 30,000 long tons	\$4,000 U.S. Ccy
for vessels loading over 30,000 long tons	\$4,500 U.S. Ccy

with despatch rate being one-half of the demurrage rate.
5. Any extra cargo insurance due to vessel's age to be for owner's account. The amount will be at the actual cost of such insurance, net of discount, but shall not exceed the following scale:

Liberties/Ports/Parks/Ocean vessels and Empire of 7/8000 GRT built 1940/1945 inclusive—3 percent

Other dry cargo vessels built 1940/1945 inclusive in the countries which participated in the Second World War—1 percent.

All other vessels	16/20 years old	0.1875 percent
"	" 21/25 " "	0.375 "
"	" 26/30 " "	0.50 "
"	" 31/35 " "	0.75 "
"	" over 35 " "	1.50 "

6. Receivers guarantee discharge at the rate of 2,000 metric tons alongside berth and 3,000 metric tons for lightening operations, per weather working day of twenty-four (24) consecutive hours, Sundays and official and local holidays and Saturdays after Noon (unless Saturday already a Holiday, in which case entire day not counting) excepted, whether used or not, provided vessel can deliver at such a rate. Days before holidays to count as three-quarters (3/4's) of a day. Discharge to be free of risk and expense to the Vessel and for account and risk of the Buyers or Receivers.

7. Cargo to be loaded, stowed, and trimmed by Charter's stevedores free of expense to the vessel within the following weather working days of twenty-four (24) consecutive hours, Sundays and Holidays excepted:

For vessels loading up to 25,000 long tons	—	5 days
" " " " " 35,000 " "	—	6 days
" " " " " 55,000 " "	—	7 days
" " " over 55,000 " "	—	9 days

8. Ice clause to the effect that vessel is not required to force ice, but must follow ice-breaker.

9. Vacuators employed for discharge of the vessel, including lightening, will be provided by receivers free of risk and expense to the vessel.

10. Form C Approved Baltimore Berth Grain Charter Party will be used with terms similar to those used for the charter of the Italian-flag MS DONATELLA, dated August 8, 1972, with Rider Clauses, subject to the following:

a. modified as necessary to provide for tankers as follows:

(i) Clause 16—delete "holds" and insert "tanks"

(ii) Clause 19 to read "Separations, if any required, by tanks only"

(iii) Clause 25 to read "Owners guarantee tank top openings to be of sufficient size to permit unhindered loading as customary from elevator spouts and unhindered discharging as customary from suction pipes or vacuators."

(iv) Add Clause to read: "Vessel to be inspected and passed by National Cargo Bureau Surveyor, U.S. Department of Agriculture Grain Inspector and/or Board of Trade Surveyor or Charterer's surveyor as free of odor and in all respects suitable for loading grain cargo in bulk."

b. the rate for second discharge port, if used, to be negotiated with owner; but not exceeding \$.50 per long ton extra on the entire cargo. The owner's brokerage commission as agreed with owner.

c. modified to conform with the terms specified in items 1 through 9 above.

Sincerely,

/s/  
N. ZUEV  
President

## ATTACHMENT II

### MINIMUM FREIGHT RATES FOR THE CARRIAGE OF AGRICULTURAL BULK CARGO WITH RESPECT TO FIXTURES MADE PRIOR TO JULY 1, 1973

The following minimum freight rates have been agreed upon for the chartering of American-flag tonnage for the carriage of agricultural bulk cargo to the Soviet Union with respect to fixtures made prior to July 1, 1973:

*For Heavy Grains—corn, wheat, sorghums, milo, rye, and soybeans*

<i>Trade Area</i>	<i>Base Rate Per L/T</i>	<i>Adjustment to Base Rate Per L/T</i>	
U.S. Gulf Port/ Soviet Black Sea Port	\$8.05 F.I.O.T.	.....	
U.S. Gulf Port/ Soviet Baltic Port		—\$ .30	Plus \$1.00 per L/T F.I.O.T. if scheduled date of arrival is between Nov. 1 and Apr. 30
U.S. Gulf Port/ Soviet Pacific Port		+\$2.00	
U.S.N.H. Port/ Soviet Black Sea Port		—\$ .50	
U.S.N.H. Port/ Soviet Baltic Port		—\$ .50	Plus \$1.00 per L/T F.I.O.T. if scheduled date of arrival Baltic is between Nov. 1 and Apr. 30.
U.S. North Pacific Port/ Soviet Pacific Port		+\$ .50	

#### *For Barley*

For the carriage of barley, the freight rates provided above will be increased by \$.40 per long ton.

If vessel is directed by Charterers to trade outside of I.W.L. (Institute Warranty Limits) then any extra insurance premiums, if incurred, to be for Charterers' account.

Charter of American-flag ships for the carriage of raw and processed agricultural commodities involving trade areas or categories of cargo not provided for above will be established on the basis of the average market charter rates for the years 1969, 1970 and 1971. Where such market charter rates do not exist for a relevant route or category of cargo, agreed adjustments will be made to published current market charter rates for the most comparable route and category of cargo.



October 14, 1972

Honorable N. ZUEV  
President  
SOVFRACHT  
Moscow G-200  
SMOLENSKAJA SQ., 32/34

DEAR MR. ZUEV:

This will acknowledge receipt of your letter of today transmitting a copy of the letter which you informed me SOVFRACHT proposes to transmit to its chartering agents and which sets forth the charter party terms which we have agreed upon for fixtures made for the carriage of raw and processed agricultural commodities by American flag bulk cargo vessels under the Agreement Between the Government of the United States of America and the Government of the Union of Soviet Socialist Republics Regarding Certain Maritime Matters executed today.

Also enclosed with your letter was the schedule of rates we have agreed upon for practical purposes to be used under that Agreement in place of a precise calculation of the three year average rate for 1969, 1970, and 1971 for the carriage of specified categories of raw and processed agricultural commodities by American flag bulk cargo vessels on the routes specified, for fixtures made prior to July 1, 1973.

You also confirmed in your letter that with respect to Item 5 of the charter party terms, relating to cargo insurance, you will enter into discussions with officials of INGOSSTRAKH for the purpose of directing the placement of a portion of the marine cargo insurance coverage for shipments of raw and processed agricultural commodities with United States underwriters.

I am pleased to confirm that your letter and the enclosures reflect our agreement and understanding.

Very truly yours,

/s/  
ROBERT J. BLACKWELL  
*Assistant Secretary  
for Maritime Affairs*

WASHINGTON, *October 14, 1972*

MR. IGOR AVERIN  
Director of Department of Foreign Relations  
of the Ministry of the Merchant Marine  
Union of Soviet Socialist Republics  
Moscow, Russia

DEAR MR. AVERIN:

This is to confirm our mutual agreement on the understanding that the total of all agricultural cargoes fixed or shipped on and after July 1, 1972, from the United States to the Soviet Union will be included in determining the Soviet and U.S. shares under Article 7 and Annex III of the Agreement between the Government of the United States of America and the Government of the Union of Soviet Socialist Republics regarding certain maritime matters.

Sincerely,

/s/  
ROBERT J. BLACKWELL  
*Assistant Secretary  
for Maritime Affairs*

WASHINGTON, October 14, 1972

DEAR MR. MINISTER:

With reference to the Agreement between the Government of the United States of America and the Government of the Union of Soviet Socialist Republics, signed today, concerning certain maritime matters, I wish by this letter to inform the Government of the Union of Soviet Socialist Republics of the following clarifications and interpretations of statements contained in such Agreement.

The phrase in paragraph a of Article 1 "registered in the territory of that Party" shall include unregistered vessels which are numbered under the laws of a state or political subdivision of the United States.

The phrase in paragraph a of Article 1 "an unregistered vessel belonging to the Government of such Party" refers to certain vessels which belong to the Government of the United States and which are not registered vessels.

I am appending a current list of major United States oceanographic, hydrographic, meteorological and magnetic field research vessels referred to in subparagraph a(iii) of Article 1 of the Agreement mentioned above.

Very truly yours,

/s/

PETER G. PETERSON

*Secretary of Commerce*

Enclosure:

Current list of major United States oceanographic,  
hydrographic, meteorological and magnetic field  
research vessels.

His Excellency TIMOFEY B. GUZHENKO

*Minister of Merchant Marine of the  
Union of Soviet Socialist Republics.*



CURRENT LIST OF MAJOR U.S. OCEANOGRAPHIC, HYDROGRAPHIC, METEOROLOGICAL, AND  
MAGNETIC FIELD VESSELS

Operating Agency	Ship Name and Designator	Owner	Ship Type	Year Built	Year Converted	Length (Feet)	Displacement (Tons)	Accommodations Crew	Scientists
Department of the Navy (Oceanographer of the Navy/Navy Laboratories)	Sands (T-AGOR 6)	Navy	AGOR 3 Cl.	1964	N/A	208	1,355	26	15
	Lynch (T-AGOR 7)	Navy	AGOR 3 Cl.	1965	N/A	208	1,355	26	15
	Mizar (T-AGOR 11)	Navy	ex-T-AK	1957	1964	266	3,886	41	19
	Desteiguer (T-AGOR 12)	Navy	AGOR 3 Cl.	1969	N/A	208	1,340	27	15
	Bartlett (T-AGOR 13)	Navy	AGOR 3 Cl.	1969	N/A	208	1,340	27	15
	Hayes (T-AGOR 16)	Navy	Catamaran	1971	N/A	246	3,100	44	25
	Bowditch (T-AGS 21)	Navy	ex-VC-2	1945	1958	455	13,000	61	17
			Cargo						
	Dutton (T-AGS 22)	Navy	ex-VC-2	1944	1958	455	13,000	61	17
			Cargo						
	Michelson (T-AGS 23)	Navy	ex-VC-2	1944	1958	455	13,000	61	17
			Cargo						
	Bent (T-AGS 26)	Navy	AGS 26 Cl.	1965	N/A	285	2,640	48	30
	Kane (T-AGS 27)	Navy	AGS 26 Cl.	1967	N/A	285	2,640	48	30
	Chauvenet (T-AGS 29)	Navy	AGS 29 Cl.	1970	N/A	393	4,200	69	12
	Lee (T-AGS 192)	Navy	AGS 25 Cl.	1968	N/A	208	1,297	29	13
	Harkness (T-AGS 32)	Navy	AGS 29 Cl.	1971	N/A	393	4,200	69	12
	Wilkes (T-AGS 33)	Navy	AGS 26 Cl.	1971	N/A	285	2,600	50	30
	Wyman (T-AGS 34)	Navy	AGS 26 Cl.	1971	N/A	285	2,600	43	28
Department of Commerce (National Oceanic and Atmospheric Administration, National Ocean Survey—formerly the Environmental Sciences Service Administration, Coast and Geodetic Survey)	Oceanographer (OSS 01)	NOAA	OSS 01 Cl. (CL. I)	1966	N/A	303	3,959	57	30
	Discoverer (OSS 02)	NOAA	OSS 01 Cl. (CL. I)	1966	N/A	303	3,959	57	30
	Researcher (OSS 03)	NOAA	OSS 03 Cl. (CL. IA)	1970	N/A	278	2,875	54	22
	Surveyor (OSS 32)	NOAA	OSS 32 Cl. (CL. I)	1960	N/A	292	3,150	63	27
	Fairweather (MSS 20)	NOAA	MSS 20 Cl. (CL. II)	1968	N/A	231	1,798	57	19
	Rainier (MSS 21)	NOAA	MSS 20 Cl. (CL. II)	1968	N/A	231	1,798	57	19
	Mt. Mitchell (MSS 22)	NOAA	MSS 20 Cl. (CL. II)	1967	N/A	231	1,798	57	19
	Pierce (CSS 28)	NOAA	CSS 28 Cl. (CL. III)	1963	N/A	164	760	29	7
	Whiting (CSS 29)	NOAA	CSS 28 Cl. (CL. III)	1963	N/A	164	760	29	7
	McArthur (CSS 30)	NOAA	CSS 30 Cl. (CL. III)	1966	N/A	175	995	29	7
	Davidson (CSS 31)	NOAA	CSS 30 Cl. (CL. III)	1967	N/A	175	995	29	7
	Rude (ASV 90)	NOAA	ASV 90 Cl. (CL. IV)	1967	N/A	90	214	10	0
	Heck (ASV 91)	NOAA	ASV 90 Cl. (CL. IV)	1967	N/A	90	214	10	0
	Ferrel (ASV 92)	NOAA	ASV 92 Cl. (CL. IV)	1968	N/A	133	363	17	2
National Science Foundation	Eltanin (T-AGOR 8)	Navy	ex-T-AK	1957	1962	266	3,886	48	38
	Hero	NSF	.....	1968	N/A	125	650	11	6
Department of Transportation (U.S. Coast Guard)	Acushnet (WAGO 167)	USCG	ex-ARS	1943	1968	213	1,745	58	11
	Evergreen (WAGO 295)	USCG	ex-Buoy Tender	1943	1948	180	1,025	52	8
	Rockaway (WAGO 377)	USCG	ex-AVP	1942	1966	311	2,800	120	18
University of Alaska	Acona	Navy	Trawler	1961	N/A	80	154	6	12
Columbia University (Lamont-Doherty Geological Observ.)	Conrad (AGOR 3)	Navy	AGOR 3 Cl.	1962	N/A	208	1,370	21	22
	Sir Horace Lamb	Navy	ex-YMS	1942	1960	136	320	15	8
	Erline	Navy	ex-Crew Boat	1965	1967	100	120	4	2
Columbia University (Crumb School of Mines)	Manning (T-514)	Navy	ex-Army T-Boat	1953	1955	65	95	3	9
University of Connecticut	T-441	Navy	ex-Army T-Boat	1953	1955	65	99	3	6
Duke University	Eastward	Univ.	.....	1964	N/A	118	474	15	15
Florida University of Technology	T-426	Navy	ex-Army T-Boat	1953	1955	65	95	5	4

Operating Agency	Ship Name and Designator	Owner	Ship Type	Year Built	Year Converted	Length (Feet)	Displacement (Tons)	Accommodation Crew	Scientist
Florida State University	Tursiops	Navy	ex-Army T-Boat	1954	1968	65	95	3	5
University of Georgia	Kit Jones	Univ.	Tug	1938	1958	64	90	3	4
University of Hawaii	Teritu	Univ.	ex-Yacht	1953	1964	90	136	9	6
Johns Hopkins University	Ridgely Warfield Maury	Univ. Univ.	Catamaran .....	1967 1950	N/A N/A	106 65	162 40	8 3	10 4
University of Miami	Gilliss Gerda Pillsbury Calanus	Navy Univ. Univ. Univ.	T-AGOR 4 ex-Trawler ex-Army FS .....	1962 1947 1944 1970	N/A 1954 1963 N/A	208 76 176 64	1,570 213 935 90	26 6 22 2	15 8 14 6
New York University	Kyma	Navy	ex-Army T-Boat	1952	1962	65	102	3	6
Northwestern Michigan College	Allegheny	College	ex-ATA	1944	1969	143	860	40	6
Nova University	Gulfstream	Univ.	ex-Crew Boat	1963	1966	55	29	1	5
Oregon State University	Yaquina Cayuse	Univ. Univ.	ex-Army FS .....	1944 1968	1964 N/A	180 80	865 173	17 7	18 7
University of Rhode Island	Trident	Univ.	ex-Army FS	1944	1962	180	1,021	21	13
Scripps Inst. of Oceanography (Univ. of Calif.)	Melville (AGOR 14) Washington (AGOR 10) Agassiz Alpha Helix Oconostota Ellen B. Scripps	Navy Navy Univ. Univ. Navy Univ.	AGOR 14 Cl. AGOR 3 Cl. ex-Army FS .....	1969 1965 1944 1966 1944 1965	N/A N/A 1961 N/A 1962 N/A	245 208 180 133 102 95	2,075 1,362 866 512 328 234	25 25 18 12 8 5	25 17 13 10 6 8
University of Southern California	Velero IV	Univ.	Tuna Clipper	1948	N/A	110	580	11	9
Stanford University	Proteus	Univ.	ex-Tuna Boat	1946	1969	100	186	6	9
Texas A & M University	Alaminos Orea	Univ. Univ.	ex-Army FS ex-USCG Boat	1945 1926	1963 1970	180 98	850 205	17 7	14 9
University of Washington	Thompson (AGOR 9) Hoh Onar	Navy Navy Navy	AGOR 3 Cl. ex-YT (Tug) ex-Army T-Boat	1965 1943 1954	N/A 1962 1963	208 65 65	1,362 91 95	23 2 2	18 6 6
Woods Hole Oceanographic Institution	Knorr (AGOR 15) Chain (AGOR 17) Atlantis II Gosnold Lulu	Navy Navy WHOI WHOI Navy	AGOR 14 Cl. ex-ARS .....	1970 1944 1963 1944 1964	N/A 1958 N/A 1961 N/A	245 213 210 99 96	2,075 2,100 2,300 300 450	25 31 30 9 9	25 26 25 8 15
Cape Fear Tech Institute	Advance II Undaunted	Private Private	..... ex-Tug	1944 1944	N/A N/A	185 143	975 200	21 15	7 14
University of Hawaii	Kana Keoki	Univ.	Supply Boat	1971	N/A	156	298	14	15
University of Miami	Columbus Iselin	Univ.	Supply Boat	1972	N/A	170		12	13
State University of New York Maritime College	Empire State IV	Univ.	ex-USNS H. Gibbins	1942	N/A	489	15,470	105	462

#### ABBREVIATIONS AND SYMBOLS

AGOR.....	oceanographic research ship
AGS.....	surveying ship
ASV.....	auxiliary survey vessel (NOS designation)
CSS.....	coastal survey ship (NOS designation)
MSS.....	medium survey ship (NOS designation)
NOAA.....	National Oceanic and Atmospheric Administration
NOS.....	National Ocean Survey (formerly the Coast and Geodetic Survey)
NSF.....	National Science Foundation
OSS.....	ocean survey ship (NOS designation)
T-AGOR.....	T denotes oceanographic research ship operated by the Department of the Navy
T-AGS.....	T denotes surveying ship operated by the Department of the Navy
USCG.....	United States Coast Guard
WAGO.....	oceanographic ship (USCG designation)

WASHINGTON, October 14, 1972

DEAR MR. MINISTER:

With reference to the Agreement between the Government of the Union of Soviet Socialist Republics and the Government of the United States of America, signed today, concerning certain maritime matters, I acknowledge receipt of your letter of today's date and confirm the following clarifications and interpretations of statements contained therein as representing the understanding by my Government.

The phrase in paragraph a of Article 1 "registered in the territory of that Party" shall include unregistered vessels which are numbered under the laws of a state or political subdivision of the United States.

The phrase in paragraph a of Article 1 an "unregistered vessel belonging to the Government of such party" refers to certain vessels which belong to the Government of the United States and which are not registered vessels.

I am appending a current list of major Soviet oceanographic, hydrographic, meteorological and magnetic field research vessels referred to in subparagraph a(iii) of Article 1 of the Agreement mentioned above.

Respectfully,

/s/  
TIMOFEY B. GUZHENKO ,  
*Minister of Merchant Marine of the  
Union of Soviet Socialist Republics*

Enclosure:

Current list of major Soviet oceanographic, hydrographic,  
meteorological and magnetic field research vessels.

Honorable PETER G. PETERSON  
*Secretary of Commerce*



## SCIENTIFIC RESEARCH AND TRAINING VESSELS UNDER THE USSR FLAG

No.	Operator	Name of Ship	Owner	Type of Ship	Year of Construction	Length of Ship in Meters	Water Displacement *	Crew Size		
								Organic Crew	Probationers (Trainees)	Instructors/Scientists
1	2	3	4	5	6	7	8	9	10	11
1	Academy of Sciences/AS/USSR	"Akademik Kurchatov"	Oceanography Institute of The Academy of Sciences, USSR	Scientific Research	1966	124	6.828	84	.....	84
2	"	"Dmitry Mendelyev"	"	"	1968	124	6.828	83	.....	76
3	"	"Vityaz"	"	"	1939	109,4	5.710	72	.....	63
4	"	"Akademik Vernadsky"	Marine Hydro-physical Institute of Ukrainian SSR	"	1968	124	6.828	82	.....	77
5	"	"Mikhail Lomonosov"	"	"	1957	102	5.960	71	.....	63
6	"	"Pegas"	Sakhalin Combined Scientific Research Institute of the Academy of Sciences, USSR	"	1963	79,8	2.435,7	39	.....	41
7	Black Sea Steamship Line	"Horizont"	Odessa Higher Marine Engineering Institute	Dry Cargo	1961	105	6217	56	154	5
8	"	"Professor Kudravin"	"	"	1970	122	10005	55	170	15
9	"	"Professor Anichkov"	"	"	1971	122	10005	55	170	15
10	"	"Professor Minyayev"	"	"	1972	122	10005	55	155	15
11	"	"Tovarishch"	Khersonsk Navigation School	Sailing—Motorized	1933	68,5	1618	41	134	4
12	Baltic Steamship Line	"Zenit"	Leningrad Higher Marine Engineering Institute	Dry Cargo	1961	105	6217	52	154	6
13	"	"Professor Shchegolev"	"	"	1970	122	10002	55	170	15
14	"	"Professor Ribaltovsky"	"	"	1971	122	10005	55	170	15
15	Far Eastern Steamship Line	"Meridian"	Far East Higher Marine Engineering Institute	"	1962	105	6217	52	154	8
16	"	"Professor Yushehenko"	"	"	1970	122	10005	55	170	15
17	Main Administration of the Hydrometeorological Service USSR	"Professor Zubov"	Arctic-Antarctic Scientific Research Institute	Scientific Research	1967	124,2	6935	86	.....	80
18	"	"Professor Vize"	"	"	1966	124,2	6935	86	.....	80
19	"	"Akademik Korolyev"	Far East Scientific Research Hydro-meteorological Institute	"	1967	124,2	6935	86	.....	80
20	"	"Akademik Shirshov"	"	"	1967	124,2	6935	86	.....	80
21	"	"Volna"	"	"	1968	96,10	4146	59	.....	51
22	"	"Priliv"	"	"	1969	96,85	4069	59	.....	51
23	"	"Priboy"	"	"		96,35	4162	59	.....	51
24	"	"Okean"	"	"	1969	96,92	4162	59	.....	51
25	"	"A.I. Boyeykov"	"	"	1960	84,65	3503	56	.....	52
26	"	"Yu. M. Shokal'Sky"	"	"	1960	85,15	3591	56	.....	52
27	"	"Passat"	Administration of Hydro Meteorological Service Ukrainian, SSR	"	1968	97,10	4146	59	.....	51

No.	Operator	Name of Ship	Owner	Type of Ship	Year of Construction	Length of Ship in Meters	Water Displacement *	Crew Size		
								Organic Crew	Probationers (Trainees)	Instructors/Scientists
1	2	3	4	5	6	7	8	9	10	11
28	Main Administration of the Hydrometeorological Service USSR	"Musson"	Administration of Hydro Meteorological Service Ukrainian, SSR	Scientific Research	1968	97,10	4146	59	.....	51
29	"	"Poriv"	"	"	1971	104,69	4469	59	.....	51
30	"	"Shkval"	"	"	1971	104,69	4469	59	.....	51
31	"	"Bikhr"	"	"	1971	104,69	4469	59	.....	51
32	"	"Okeanograph"	Administration of Hydro-meteorological Service, Lithuanian, SSR	"	1956	35,85	426	21	.....	12
33	"	"Polyarnik"	Murmansk Administration of Hydro-meteorological Service	"	1956	38,5	454,2	21	.....	12
34	"	"Aisberg"	"	"	1956	39,15	432,75	21	.....	12

For training ships, the displacement is included in the weight.

Department of Foreign Relations  
of the Ministry of the Merchant Marine  
Union of Soviet Socialist Republics  
*October 14, 1972*

Mr. ROBERT J. BLACKWELL  
Assistant Secretary for Maritime Affairs  
Department of Commerce  
Washington, D.C.

DEAR MR. BLACKWELL:

I acknowledge receipt of your letter of today's date and confirm our mutual agreement on the understanding that the total of all agricultural cargoes fixed or shipped on and after July 1, 1972, from the United States to the Soviet Union will be included in determining the Soviet and U.S. shares under Article 7 and Annex III of the Agreement between the Government of the United States of America and the Government of the Union of Soviet Socialist Republics regarding certain maritime matters.

Sincerely,

/s/

IGOR AVERIN

*Director of Department of Foreign Relations  
of the Ministry of the Merchant Marine*



WASHINGTON, October 14, 1972

DEAR MR. MINISTER:

In connection with the Agreement signed today between the Government of the United States and the Government of the Union of Soviet Socialist Republics concerning certain maritime matters, we have agreed that we would exchange information describing our port procedures and other matters. Accordingly, enclosed is a Memorandum on U.S. Port Procedures and Other Matters.

This letter will also acknowledge receipt from you of your Memorandum on U.S.S.R. Port Procedures and Other Matters together with covering letter signed by you.

Very truly yours,

/s/

PETER G. PETERSON  
*Secretary of Commerce*

Enclosure:

Memorandum on U.S. Port  
Procedures and Other Matters.

His Excellency TIMOFEY B. GUZHENKO  
*Minister of Merchant Marine of the  
Union of Soviet Socialist Republics*

# MEMORANDUM ON U.S. PORT PROCEDURES AND OTHER MATTERS

## I. Introduction

Access to U.S. ports by any foreign vessel is subject to compliance with applicable laws and regulations of the Federal Government and of state and local authorities in the areas wherein they have jurisdiction. The U.S. port procedures and applicable federal laws and regulations and certain other matters outlined below apply generally to foreign vessels. Specific mention is made of those limited instances where Soviet flag vessels might be treated differently from other foreign vessels.

## II. Navigational Aids

Charts and publications necessary for proper navigation of U.S. ports and waters and available at any time at current prices are:

Tide Tables, Tidal Current Tables, Tidal Current Charts, U.S. Coast Pilots (these are sailing directions for U.S. waters), and Nautical Charts from National Ocean Survey, which are generally considered necessary for safe transit of United States coastal and port areas.

The U.S. Coast Pilot, published by the National Ocean Survey in eight volumes, includes navigational regulations, and information concerning outstanding landmarks, channel and anchorage peculiarities, dangers, weather, ice, freshets, routes, pilotage and port facilities. A list of other United States Government publications of navigational value is included in the Appendix to the U.S. Coast Pilot.

### A. Supplemental Information: Notices to Mariners; Weekly Notices; Local Notices

Corrections to charts and publications and important navigational safety information is contained in our Notices to Mariners. Weekly Notices to Mariners published by the U.S. Naval Oceanographic Office pertain to both foreign and domestic waters. Local Notices to Mariners published by each Coast Guard District Commander pertain primarily to domestic waters and also contain pertinent maritime legal public notices.

### B. Safety Information

Marine safety information is broadcast over Coast Guard radio stations at scheduled

intervals on specified frequencies. Broadcast schedules are published in U.S. Naval Oceanographic Office HO Publication No. 117.

### C. Radio and Electronic Aids

Radio Aids to Navigation (Radio Beacons and Radio Direction Finders) are referenced in the Light List published by the U.S. Coast Guard and expanded in HO Publication No. 117B published by the U.S. Naval Oceanographic Office.

Light Lists describe aids to navigation including a list of lights, fog signals, buoys, daybeacons, and loran stations.

Special charts for electronic navigation, such as LORAN and CONSOLAN, are published by the National Ocean Survey.

Weather, facsimile (FAX), and ice broadcast schedules are published in Radio Weather Aids to Navigation, HO Publication No. 118.

### D. Pilotage and Other Navigational Aids

Pilotage is usually compulsory for vessels in U.S. ports and waters. Pilotage requirements are uniform for all foreign flags but come under the purview of the pilotage laws of the local jurisdiction in which the port is located. Pilotage requirements may therefore vary from port to port.

Other normal navigational aids are available locally for any vessel entering a U.S. port.

## III. Entry to U.S. Ports

### A. Coast Guard

The general Coast Guard regulations for foreign vessels entering U.S. ports are contained in the Code of Federal Regulations, 33 CFR, Part 124. These regulations require such vessels to give at least 24 hours advance notice of arrival to the Coast Guard Captain of the Port. This requirement is independent of the advance notice requirement contained in the Agreement referred to above and the advance permission requirement for entry into all ports not on the list of ports open to calls upon notice attached to such Agreement, but can be accomplished in the same

time period. If the vessel is carrying explosives or certain specified dangerous cargo, this information must also be contained in the report. The regulations further require that the vessel give notice to the Captain of the Port as early as possible of any fire or other abnormal condition which could jeopardize the vessel's safety or the safety of other vessels or facilities in the port.

The statement delivered to the Soviet Government by Mr. T. R. Buchanan on August 27, 1971, will continue to govern access of all Soviet vessels to United States ports not on the list of ports open to calls upon notice. Any such vessel must submit an itinerary complete with ports of call and specific dates to the Department of State, Washington, D.C. via either the U.S. Embassy in Moscow or the Soviet Embassy in Washington. In addition, each Soviet vessel, except state-owned vessels, not in commercial service and except vessels involved in innocent passage, entering U.S. territorial waters will be boarded and searched by personnel of the U.S. Coast Guard.

Under the Agreement between the Government of the United States and the Government of the Union of Soviet Socialist Republics concerning certain maritime matters, notification of a visit to a U.S. port on the list of ports open to calls upon notice must be received at least four days in advance of port entry. Notice of visits of commercial maritime vessels shall be forwarded to U.S. Coast Guard Headquarters, Washington, D.C. from a shipping agent (either (1) via Telex using address, "Commandant, U.S. Coast Guard, 400 7th Street, S.W., Washington, D.C., Telex number: 89-2427 or (2) by TWX using address, "Coast Guard Headquarters, 6th & D Streets, S.W., Washington, D.C. TWX number: 202-965-0660," or (3) via Western Union using either of the above addresses). Notice of visits of research and merchant marine training vessels shall be forwarded to the United States Department of State, Washington, D.C. through diplomatic channels.

#### *B. Customs*

All vessels arriving from foreign ports must report their arrival to Customs officers

within 24 hours and make formal entry of the vessel at the custom house within 48 hours. Vessels are boarded by customs officers on arrival and may be, and sometimes are, searched (especially in connection with the Federal Government's present intensified narcotics enforcement program). For formal entry, a complete manifest of the cargo and all other items must be presented, vessel's register must be deposited, tonnage taxes must be paid, and permission must be obtained to lade or unlade cargo and passengers. In order to expedite lading or unlading, preliminary entry may be made with the boarding officers.

#### *C. Health and Agriculture*

The U.S. Public Health Service administers foreign and domestic quarantine laws and conducts medical examinations of aliens. A vessel arriving at a U.S. port from a non-quarantine exempt area should undergo quarantine inspection (generally dockside) to determine the vessel's itinerary, deratting status (certificate current), whether there is illness aboard, whether crew members have been vaccinated for smallpox, whether personnel have been to any smallpox-infected countries, and whether the vessel has been to a plague-infected country. The inspection is to be held prior to disembarkation of any person, except with the permission of the quarantine officers, or the conduct of any business, unless exempted by Section 71.46 or 71.47 of Foreign Quarantine Regulations and supplemental provisions of the U.S. Public Health Service. A radio clearance may be obtained in lieu of the quarantine inspection if the above information is transmitted by radio to the Public Health Service representative via the vessel's agent.

Vessels arriving at a U.S. port shall be subject to sanitary inspection to ascertain whether there exist rodent, insect, or other vermin infestation, contaminated food or water, or other unsanitary conditions requiring measures for the prevention of the introduction, transmission, or spread of communicable disease.

The U.S. Department of Agriculture administers quarantines to restrict the impor-



tation of plants, plant products, soil, injurious insects, and associated items that may introduce or spread plant pests or diseases new to or not widely distributed within the United States. Inspectors examine imports at ports of entry as well as the vessel, its stores, and crew or passenger baggage. A variance from the shipboard inspection requirement may be granted if the vessel's agent executes a "memorandum of understanding" agreeing to comply with certain requirements.

#### *D. Research Vessels*

U.S. calls of Soviet research vessels will be handled in the same manner as calls by other vessels under the Agreement referred to above. The procedures for entering U.S. ports are generally the same as for any other vessel.

### **IV. Documents and Forms**

#### *A. Ships Documents*

The International Convention on Safety of Life at Sea, 1960, Part B, describes those documents, surveys and certifications which will normally be required and accepted by the signatory nations. In addition to the SOLAS Convention requirements, a foreign vessel calling at a U.S. port will normally require a United States Coast Guard certification to safeguard life and property in U.S. ports if the vessel is: (i) carrying liquid bulk cargo involving potential unusual operating risks; or (ii) embarking passengers at a U.S. port. Such certification requires a submission of detailed vessel plans for technical review and an on-site inspection of the vessel by the United States Coast Guard to insure compliance with the submitted plans. USSR measurement certificates are acceptable to U.S. authorities as valid measurements of tonnage.

#### *B. Certificates of Financial Responsibility*

The Federal Water Pollution Control Act, as amended by the "Water Quality Improvement Act of 1970," requires evidence of financial responsibility regarding reimbursement for pollution damage caused by a vessel. The pertinent section of this Act states:

"Any vessel over three hundred gross tons, including any barge of equivalent size, using any port or

place in the United States or the navigable waters of the United States for any purpose shall establish and maintain under regulations to be prescribed from time to time by the President, evidence of financial responsibility of \$100 per gross ton, or \$14,000,000 whichever is the lesser, to meet the liability to the United States (to) "which such vessel could be subjected under this section. In a case where an owner or operator owns, operates, or chartered more than one such vessel, financial responsibility need only be established to meet the maximum liability to which the largest of such vessels could be subjected. Financial responsibility may be established by any of, or a combination of, the following methods acceptable to the President:

(a) evidence of insurance, (b) surety bonds, (c) qualification as a self-insurer, or (d) other evidence of financial responsibility. Any bond filed shall be issued by a bonding company authorized to do business in the United States."

The President has delegated to the Federal Maritime Commission (FMC) the responsibility for establishing and maintaining the regulations necessary to carry out these financial responsibility requirements. FMC General Order 27 (with amendments), which applies to vessels of all flags, states that the United States Government will consider a particular ship operating or owning company financially responsible only if that company can provide evidence of financial responsibility by one of the methods listed above. Any insurance company, regardless of nationality, which has a good reputation and sufficient resources to back up a reasonable claim is acceptable. Almost all Soviet vessels have been insured in this regard with Ingosstrakh in the USSR. There is a fee for the final certification by the FMC.

Title 46 U.S.C. Chapter 14 (Public Law 89-777) requires the owners, operators or charterers of passenger vessels having berth or stateroom accommodations for 50 or more passengers and which embark passengers at United States ports to establish their financial responsibility to meet their liability for death or injury to passengers and other persons and to refund fares in the event that voyages or cruises are cancelled. These requirements extend uniformly to all such vessels regardless of flag. The Federal Maritime Commission sets forth the rules and regulations to comply with Public Law 89-777. Financial responsibility can be established with



the Commission through insurance, surety bond, guaranty, escrow account or as a self-insurer. In any event, under FMC General Order 20, applicants, insurers, guarantors, sureties, escrow agents and self-insurers must have assets physically located in the United States to meet their commitments.

To qualify for a Performance Certificate, which is issued by the FMC as evidence of financial responsibility for the refunding of fares, the maximum amount required is \$5,000,000. Companies operating smaller vessels or a small number of vessels may arrange with the FMC for a smaller bond depending upon the amount of deposits and fares collected, or expected to be collected, for planned voyages and cruises.

The FMC also issues a Casualty Certificate as evidence of financial responsibility to meet liability for death or injury. The amount required is computed from the schedule set forth in Public Law 89-777.

(1) \$20,000 for each passenger accommodation up to and including 500; plus

(2) \$15,000 for each additional passenger accommodation between 501 and 1,000; plus

(3) \$10,000 for each additional passenger accommodation between 1,001 and 1,500; plus

(4) \$5,000 for each passenger accommodation in excess of 1,500.

When more than one vessel is operated by the same owner or operator, the amount of evidence of financial responsibility required for a Casualty Certificate is based upon the number of passenger accommodations of the vessel having the largest number of passenger accommodations.

#### *D. Trade Statistics*

Within 30 days of entry into the first U.S. port and after clearing the last U.S. port, all vessels engaged in the foreign commerce of the U.S. must file vessel utilization and performance reports in accordance with Maritime Administration Regulations. These reports are of a strictly commercial nature and are compiled by the U.S. Government in order to maintain gross statistics related to the volume and nature of our exports and imports.

## **V. In-Port Treatment**

### *A. Servicing of Vessels*

Foreign vessels visiting U.S. ports can normally obtain bunkers, food, medical goods, other consumable supplies, and spare and replacement parts necessary for maintaining and operating a vessel. Vessels that have called at a port under Cuban control since January 1, 1963, or that have such a port on their current voyage itineraries (see 15 C.F.R. §371.9(b)(2)) and vessels which have called at a port under the control of North Vietnam or North Korea within 180 days or that will call at or carry cargo destined to such a port within 120 days (see 15 C.F.R. §371.9(b)(1)) cannot be bunkered at U.S. ports. Soviet vessels which have called in Cuba since January 1, 1963, or which have called in North Vietnam since January 25, 1966, may call at U.S. ports and load or unload normal commercial cargoes. Validated export licenses are required for the sale of spare and replacement parts to visiting vessels under the flag of the USSR and various Eastern European countries and for the servicing of equipment of U.S. origin aboard these vessels. As licensing procedures are sometimes time-consuming, an arrangement with regard to spare parts for Soviet vessels will be provided similar to the one which now applies to Aeroflot in the United States. That is, either Soviet spare parts could be brought into the United States for later withdrawal from a customs bonded warehouse, or there could be a relaxation of rules regarding the purchase of certain spare parts from commercial suppliers in the U.S. for use in Soviet vessels. Such arrangements and relaxation of rules, of course, require reciprocity.

### *B. Fees and Taxes*

The payment of fees and taxes is a complex problem under United States laws, but it is a problem encountered by all foreign shipowners and handled by them with little practical difficulty.

#### 1. Tonnage Taxes

Tonnage taxes are collected by the U.S. Bureau of Customs. The tonnage tax payments are assessed upon the net tonnage

as stated in the vessel's document or as stated in an appendix attached to the vessel's document showing a net tonnage ascertained under rules of a foreign country which are substantially in accord with the rules of the United States. If the net tonnage stated in the vessel's document is manifestly incorrect, taxes may be assessed on the tonnage reported for the vessel by any recognized classification society, or may be leveled on the basis of an estimated tonnage pending admeasurement.

Vessels exempt from tonnage tax include vessels arriving solely for bunkers or stores and departing within 24 hours as well as vessels arriving in distress or not engaged in trade.

## **2. Other Port Charges**

Other port charges, including charges for services such as wharfage, refuse disposal, fresh water, line handling and the like, are made by the owner of the pier to which the ship moors. This could be a private firm, a municipal or state government, or a port authority. These vary from port to port, and within each port depending on where the vessel is moored. Pilot fees and the cost of tugs vary according to schedules available at each port. In all cases, these various duties and charges are uniformly applied to all vessels regardless of flag.

## **3. Taxes on Operating Revenues**

Many political subdivisions in the United States impose taxes upon profits earned within their geographic jurisdictions. Under general principles of United States constitutional law, however, these subdivisions may not levy taxes on profits which unduly burden international trade. The present practice of the political subdivisions is not to levy income taxes on vessels or shipping companies, as long as their activities in U.S. ports are limited to the loading and discharging of cargoes moving in international commerce.

# **VI. Visa and Immigration Requirements**

In order that a crew member of any foreign country may be allowed shore leave in the

United States, he must have a passport or an acceptable document in lieu thereof, and an appropriate visa (an individual crew member visa or be included on a visaed crewlist) issued by a United States consular officer. No exit visas are required in order to leave the United States. A Soviet crew member's passport will be considered adequate personal identification by the U.S. Government.

In order for a Soviet crew member to obtain a visa for entry into the United States, a crewlist on Form I-418 showing the names of all crew members and certain personal data, including passport numbers, must be submitted to a U.S. Consulate 7 days before the arrival of the vessel in a U.S. port. The master or agent of every vessel arriving in the United States from any foreign place or from an outlying possession of the United States is required to present to the immigration officer at the port of first arrival a manifest of all crew members on board on Form I-418 with an appropriate visa.

Immigration and Naturalization Service regulations require that every alien crew member applying for landing privileges in the United States must make his application in person before an immigration officer and present his passport or acceptable document in lieu thereof. A crew member who is properly manifested on a visaed Form I-418 and is found admissible by the immigration officer is issued an authorization on Form I-95 valid for a period not exceeding 29 days from the date of issuance to land temporarily in the United States for shore leave during the period of time the vessel is in the port of arrival or in other ports in the United States to which it proceeds directly without touching at a foreign port or place. Soviet crew members who are admitted are limited to the area of the port city in which their vessel is located.

Once granted shore leave, any foreign crew member must surrender his passport for safekeeping to the master of the vessel. The crew member should keep with him the Form I-95 which has been given to him by the immigration officer and which is evidence to show the date, place and type of admission.

In order that any foreign crew member may meet a vessel in a U.S. port, he must be issued



a transit visa by the U.S. Government indicating both his port of arrival and his destination in the United States. With regard to requests for any type of visa or application for entry for a citizen of any nationality, the United States Government maintains the right to judge an individual undesirable for entry into the United States.

The master or agent of every vessel carrying passengers arriving in the United States from a foreign place or from an outlying possession of the United States must present a manifest of all alien passengers on board to the immigration officer at the first port of arrival. The manifest must be submitted on a Form I-418 with a completely executed Form I-94 in duplicate prepared for and presented by each alien passenger. All alien passengers must be documented with valid passports and visas issued by a United States consul abroad.

Any vessel departing a United States' port must present to the Immigration and Naturalization Service a manifest on Form I-418 covering the crew and any passengers aboard. All Forms I-95 shall be surrendered and the crew shall be mustered if required by the immigration officer in charge. Also to be surrendered are Forms I-94 issued to each alien passenger on arrival or prepared for each alien passenger who does not have one issued at time of entry.

### **VII. Jurisdiction Over Legal Causes**

Under the prevailing U.S. view, a local political entity will not exercise criminal jurisdiction over acts committed on a vessel entering one of its ports unless the consequences of the crime extend to such entity or the crime is such that it disturbs the "peace of the port." In such instances, the local political entity consents to the exercise of jurisdiction by the foreign state to detain the person charged with the crime on board the vessel. Traditionally, crimes disturbing the "peace of the port" have been those of such gravity, such as murder, that the local political entity felt compelled to act. Local, rather than federal, courts have jurisdiction over most criminal matters and the extent to which they adhere to the prevailing view may vary.

Under U.S. law, a foreign seaman may generally bring a claim for his wages against his employer in any court having jurisdiction.

The United States doctrine of sovereign immunity was explained in detail in the Aide-Memoire presented by the United States Government to the Embassy of the Soviet Union on July 16, 1971. Appointment of an agent for service of process in those jurisdictions wherein lawsuits appear most likely should eliminate the necessity of attachment of vessels in *quasi in rem* proceedings for purposes of obtaining jurisdiction. Attachment in *in rem* proceedings might be avoided, or the period of arrest connected therewith minimized, through appointment of an agent to post the requisite security in individual cases through general bonding procedures available under Supplemental Rule E(5)(b) of the Federal Rules of Civil Procedure or through purchase of appropriate protection and indemnity insurance.

### **VIII. Departure from U.S. Ports**

A vessel departing a U.S. port with cargo or passengers for a foreign port or ports must clear for such port or ports by presenting to the Bureau of Customs a manifest and export declarations for all cargo laden at that port and by complying with the other requirements set forth in Title 19 CFR 4.61. While the completed outward manifest and associated export declarations may otherwise be filed up to the fourth business day after clearance, a vessel may not be cleared for any port in certain countries until the complete manifest and required export declarations have been filed. These countries are specified in Treasury Decisions summarized in 19 CFR 4.75.

### **IX. Pollution Control**

The Federal Water Pollution Control Act, as amended, prohibits discharging of oil into United States navigable waters in amounts which cause a film or sheen upon or discoloration of the surface of the water or adjoining shorelines or causes a sludge or emulsion to be deposited beneath the surface of the water or upon adjoining shorelines. For each offense, not more than \$10,000 can be assessed for knowingly discharging harmful quantities of oil as defined above. The Federal Water Pollution Control Act, as amended, also requires any person in charge of a vessel which makes such a discharge to immediately notify the Coast

Guard. Failure to make immediate notification can result in a fine of not more than \$10,000 or imprisonment for not more than one year or both. Pollution control generally is a subject of great interest in the United States Congress and additional legislation in this area may be expected. Additional international agreements in this field may also be expected which, when ratified, will become part of United States law.

The Refuse Act, 1899, prohibits the throwing, discharging, or depositing of any refuse matter of any kind or description whatever from vessels into any navigable water of the United States or into any tributary of any navigable water or on any bank of these waters. Refuse includes garbage, oil or cargo, whether or not it has commercial value. Maximum penalty for violation of this Act is a fine of \$2,500 and a period of imprisonment of one year. The federal regulations implementing the Refuse Act of 1899 exempt vessel sewage. However, local or state requirements may, in some areas, require sewage treatment or discharge ashore. At this time the areas covered by such requirements are few. This matter should be determined for each port on a planned itinerary by the vessel's agent.

## **X. *Vessels in Distress***

Assistance to distressed vessels, regardless of nationality, is provided by the United States Coast Guard and is well known to the worldwide maritime community. This assistance does not, however, routinely include salvage. Salvage is conducted as private enterprise by a number of United States salvage firms.

Should a marine casualty result in shipwreck in United States territorial waters, several actions must be taken by the owner of the vessel.

(a) Immediately mark the location of the wreck to conform to the lateral system of buoyage. Such marking must be maintained until the obstruction is removed or the right of the owner to abandon is legally established and has been exercised.

(b) Promptly report the fact and intention to mark to the nearest United States Coast Guard Marine Inspection Office and the District Engineer, Corps of Engineers, U.S. Army.

(c) Should abandonment be decided upon, the intention to abandon should be addressed to the District Engineer, Corps of Engineers, U.S. Army, within whose district the vessel is located. A request for abandonment is not automatically granted, and until it is accepted, the owner remains responsible for all civil liability.

(d) Additionally, marine casualties in general are subject to the following:

(1) Notice of marine casualty. The owner, agent, master, or person in charge of a vessel involved in a marine casualty shall give notice as soon as possible to the nearest Marine Inspection Office of the Coast Guard whenever the casualty results in any of the following:

(i) Actual physical damage to property in excess of \$1,500.00.

(ii) Material damage affecting the seaworthiness or efficiency of a vessel.

(iii) Stranding or grounding.

(iv) Loss of life.

(v) Injury causing any persons to remain incapacitated for a period in excess of 72 hours; except injury to harbor workers not resulting in death and not resulting from vessel casualty or vessel equipment casualty.

(2) Substance of marine casualty notice. The notice required shall show the name and official number of the vessel involved, the owner or agent thereof, and insofar as is practicable, the nature and probable occasion of the casualty, the locality in which it occurred, the nature and extent of injury to personnel and the damage to property.

(3) Marine casualty or accident. The term "marine casualty or accident" shall mean any casualty or accident involving any vessel if such casualty or accident occurs upon the navigable waters of the United States, its territories or possessions, or any casualty or accident wherever such casualty or accident may occur involving any United States vessel which is not a public vessel.



It should be noted that, as a delegate state to the International Association of Lighthouse Authorities (IALA), the United States is participating in the drafting of international recommendations concerning the marking of shipwrecks. The landing ashore in the United States of cargoes salvaged from a wrecked vessel is subject to customs entry. Application should be made to local officials of the United States Bureau of Customs for details.

## **XI. Domestic Commerce**

Foreign vessels must obtain permits to proceed between United States ports. Foreign vessels may not engage in any of the following activities while in the United States.

1. Domestic trade (cabotage), meaning the transportation between points in the United States of merchandise or passengers laded at one point in the United States and unladed in another.

2. Towing any vessel between points in the United States except a vessel of foreign registry or a vessel in distress.

3. Salvage operations, unless the Commissioner of Customs is satisfied that no suitable United States vessel is available.

4. Dredging (if foreign-built).

One exception to the exclusion of foreign vessels from the United States domestic trade is that vessels of countries which extend reciprocal privileges to vessels of the United States may, under certain conditions, transport between ports in the United States empty cargo containers, equipment for such containers, empty barges designed to be carried aboard an oceangoing vessel, empty instruments of international traffic, and stevedoring equipment and material. At this time the Soviet Union and the United States have not made arrangements to extend such privileges to the other nation's vessels.

WASHINGTON, *October 14, 1972*

DEAR MR. MINISTER:

In connection with the Agreement signed today between the Government of the Union of Soviet Socialist Republics and the Government of the United States concerning certain maritime matters, we have agreed that we would exchange information describing our port procedures and other matters. Accordingly, enclosed is a Memorandum of U.S.S.R. Port Procedures and Other Matters.

This letter will also acknowledge receipt from you of your Memorandum on U.S. Port Procedures and Other Matters together with covering letter signed by you.

Respectfully,

/s/

TIMOFEY B. GUZHENKO

*Minister of Merchant Marine of the  
Union of Soviet Socialist Republics*

Enclosure:

Memorandum on U.S.S.R. Port  
Procedures and Other Matters

Honorable PETER G. PETERSON  
*Secretary of Commerce*

# MEMORANDUM ON USSR PORT PROCEDURES AND OTHER MATTERS

## *Introduction*

Access to USSR ports by any foreign vessel is subject to compliance with applicable laws and regulations of the Government of the USSR, the governments of the respective Soviet Republics and local municipal and port authorities in the areas wherein they have their jurisdiction. The USSR port procedures and applicable laws and regulations and certain other matters outlined below apply generally to all foreign vessels. Specific mention is made of those limited instances where U.S. flag vessels might be treated differently from other foreign vessels.

## *I. Navigational Aids*

Charts and other publications necessary for proper navigation of USSR ports and waters are listed in the "Catalog of Charts and Publications" (Department of Hydrography, USSR Ministry of Defense), and are available at current prices through the Inflat port agency for the port where entry is to be made.

Notifications to mariners are issued each week. Marine safety information is broadcast at scheduled intervals on specific frequencies as provided for by international regulations.

## *II. Entry to USSR Ports*

Under the Agreement between the Government of the United States and the Government of the Union of Soviet Socialist Republics concerning certain maritime matters, notification of a visit by a vessel under the flag of the U.S. to a USSR port on the list of ports open to calls upon notice must be received at least four days in advance of port entry. Notice of visits of commercial maritime vessels shall be forwarded to the USSR Ministry of Merchant Marine, 1/4 Zhdanov Street, Moscow, from the relevant "Inflat" shipping agent. Notice of visits of research and merchant marine training vessels shall be forwarded to the USSR Ministry of Foreign Affairs, Moscow, through diplomatic channels.

For commercial purposes and notwithstanding the information required to be given under a contract of affreightment, it is advisable that

all foreign merchant vessels communicate to the relevant "Inflat" shipping agents reasonably in advance the purpose of arrival, the flag, registered net tonnage, length of the vessel, cargo in each hold, requests for supplies and other services, and in addition the updated expected time of arrival 48, 24 and 4 hours in advance of arrival.

Foreign vessels can normally obtain bunkers, food, medical goods, other consumable supplies and spare and replacement parts necessary for maintaining and operating a vessel. It is recommended that bunker requests be made through the "Inflat" agency not less than 10 days in advance of proposed bunkering.

## *III. Pilotage and Other Navigational Aids*

Pilotage is compulsory for foreign-flag vessels in USSR ports and waters. Pilotage requirements are uniform for all foreign flags but come under the purview of the pilotage laws of the local jurisdiction in which the port is located. Pilotage requirements may therefore vary from port to port.

In the majority of ports, entry and departure of vessels take place around the clock. In some ports pilotage is carried out with the aid of tugboats. In others shore radar and radio direction-finding stations are used.

Other normal navigational aids are available locally for any vessel entering a Soviet port.

## *IV. Entry to USSR Ports*

Foreign vessels which have arrived in port are not allowed to have contact with shore before receiving permission for this from the port authorities. On arrival in port, a commission composed of representatives of the following authorities boards the vessel:

- Border Control;
- Customs;
- Health;
- Agriculture.

The captain fills out separate declarations for each of the above authorities, presents the vessel's documents, passports, and muster roll to the commission, and delivers:



A crew list (six copies) ;

A passenger list (six copies) ;

A list of the vessel's provisions (two copies) ;

A list of currency and valuables with an indication of the names of the owners and the amounts of each currency each possesses (two copies) ;

Cargo documents (four copies).

Upon completion of the work of the commission, the captain is informed that permission is granted for contact with shore (free pratique granted to the vessel).

#### *Customs*

A customs official examines the vessel, checks the accuracy of the lists of currency and valuables, and seals any compartment containing arms, narcotics and cargo intended for other ports. Taking Soviet currency out of the USSR and bringing it into the USSR is forbidden. Any dealings involving foreign currency, except through the agencies of the USSR State Bank are punishable by law as a criminal offense.

#### *Border Control*

Border control officials examine the ship's rolls, passports, and seaman's identity cards, issued in place of passports, and examine the vessel. Crew members and passengers are given passes for going ashore. These passes are shown to the border official on duty at the pier.

#### *Health (Quarantine and Sanitary Control)*

The medical officer of the health authorities ascertains the satisfactory sanitary condition of the vessel and the health of the crew and passengers. All crew members must have certificates of smallpox vaccination, and in certain cases, of other epidemic diseases as well. Persons not having such certification must obtain the necessary (free) vaccinations before going ashore.

The master of the vessel must present to the health authorities a deratization certificate or a certificate on release from deratization. If no certificate is available, the vessel must be examined and, if necessary, deratized.

#### *Agricultural Quarantine Control*

The State Agricultural Quarantine inspector examines the storeroom and holds of the ship. Upon finding agricultural pests on the vessel or in its cargo, he prohibits the use of foodstuffs infested by such pests as well as discharging or loading until disinfestation of the vessel's compartments is carried out. The cost of disinfestation is borne by the vessel. The current rate may be obtained from the "Inflot" agency at the port concerned.

#### *V. Visas*

To obtain permission for crew members of a U.S. vessel in a USSR port to go ashore, it is necessary to present a list of the crew members to a USSR consular establishment not less than 7 days before the date of intended arrival in port. Persons who are found undesirable and who do not receive visas can, nevertheless, remain on board the vessel without the right of going ashore in a Soviet port.

Persons not included on the list of crew members of the vessel must have a Soviet visa, duly issued by a USSR consular establishment, for going ashore.

Crew members on the crew list of the U.S. vessel who have received the indicated visa have the right to visit the port city. Crew members, with the exception of the vessel's master, must return to the vessel not later than 2400 hours on each day of the vessel's stay. Going or remaining ashore at night is permitted for crew members only on official and other urgent business.

If for any reason a crew member must leave his ship in a Soviet port and travel to another city or leave the USSR, he must receive a visa for this in his passport or seaman's document of identity at the Department of Visas and Registration of the port city, or at the nearest such institution. A crew member entering the USSR to join a crew must also obtain an entry visa. All alien passengers desiring shore leave must be documented with valid national passports and visas issued by a Soviet consul abroad.

#### *VI. Servicing of Vessels. Fees.*

Servicing of foreign vessels in Soviet ports is conducted through the "Inflot" agency at the

port concerned. An estimate of all likely expenses of each vessel must be worked out in advance by the shipowner with the "Inflot" agency at the given port and payment guaranteed before departure of the vessel from port. Otherwise, the foreign vessel may be detained in port until the expenses are paid or payment guaranteed in some other way.

The rates of charges and payments for services rendered to vessels in USSR ports are applied uniformly to all foreign vessels regardless of flag and are published in the "Inflot" service booklet for each port. The "Inflot" agency at each port arranges certain other services which are paid for according to local prices or a contract.

Vessels calling at port (a) solely for bunkers, fresh water, provisions or health needs, or (b) in cases of emergency, are exempt from paying tonnage dues.

#### **VII. Jurisdiction in Soviet Ports**

Foreign merchant vessels in USSR ports, as well as their crews, fall under Soviet jurisdiction. The USSR authorities will not, however, except at the request or with the consent of the competent consular officer, exercise such jurisdiction or intervene (as the case may be) in respect of any matter occurring on board a foreign vessel, except in connection with a criminal offense affecting citizens of the USSR or any other person not a national of the vessel's flag, not a member of the crew, or not otherwise attached to the ship, or affecting the security of the USSR or the peace or good order of the port, and except in connection with an offense which constitutes a grave offense under the law of the USSR.

The authorities have the right to make arrests on board foreign merchant ships in cases when the crime has been committed wholly or partially on shore or when the consequences of these crimes may cause serious complications on shore, and also at the request of the captain of the foreign vessel or if this appears necessary to prevent traffic in narcotics.

Under Soviet law, sovereign immunity is accorded only to state-owned vessels, which therefore are not subject to attachment in connection with civil suits. However, vessels

which are the property of a foreign state can be denied sovereign immunity under Soviet law to the same extent such foreign state does not accord immunity to Soviet-owned vessels.

#### **VIII. Pollution Control of Marine and Inland Waters**

Pollution control in marine and inland waters generally is a subject of great concern in the USSR. New rules aimed at introduction of more effective measures preventing pollution of internal as well as territorial waters are now being prepared.

Present regulations providing for a fine amounting to two rubles per kilo of spilled oil products are applicable in case of pollution of internal and territorial waters by discharging, dumping or spilling of oil or oil products from a vessel. In addition, the vessel is liable for the actual damages caused by such pollution.

Discharging of garbage overboard is strictly prohibited. Upon request of the master, the port administration ensures the disinfection of garbage and removal of same from the vessel at the expense of the vessel.

#### **IX. Departure of Foreign Vessels from USSR Ports**

After completing cargo operations or other operations in port, a vessel must receive permission of the authorities to depart. The port authorities do not permit departure from port if the vessel is overloaded beyond the load lines established by the International Convention on Load Lines of 1966 or is unseaworthy, or has not paid port expenses, or if the vessel's documents have expired.

All cargo documents should be signed by the master before the departure. At the request of the master presented through the "Inflot" agency, a Commission composed of officials from border control, customs and port authorities boards the vessel and upon examination of the vessel, its crew and ship's papers clears the vessel for departure from port.

#### **X. Assistance to Vessels in Distress**

In the USSR, an emergency rescue service is available for rescuing those who are ship-

wrecked, as well as for salvage and towing into ports of refuge, etc., to vessels of all nationalities. Requests for assistance are received by radio on frequencies allotted for distress signals, or through "Inflot" agencies.

### ***XI. Coastal Trade Between USSR Ports***

Foreign vessels may not engage in any of the following activities while in USSR waters:

- (1) Coastal trade (cabotage), meaning the transportation between points in the USSR of merchandise or passengers loaded at one point in the USSR and discharged in another;
- (2) Towing any vessel between points in the USSR;
- (3) Salvage operations.

### ***XII. Acceptance of Vessels' Documents***

The International Convention on Safety of Life at Sea, 1960, Part B, describes those documents, surveys and certifications which will normally be required and accepted by the signatory nations. U.S. measurement certificates are

acceptable to USSR authorities as valid measurements of tonnage.

When visiting a Soviet port, a foreign vessel may be subjected to a technical survey if a similar survey is required in ports of that vessel's state in relation to USSR-flag ships.

### ***XIII. Investigation of Accidents***

Investigation of accidents is conducted by the captain of a Soviet port. Such investigation involving foreign vessels is obligatory for accidents which have occurred within the territorial and port waters of the USSR and have affected the interests of the USSR or its citizens. Such investigation is also carried out with respect to accidents occurring beyond the limits of USSR territorial and port waters and involving death or injury to Soviet citizens or damage to property belonging to the USSR, its citizens, or its entities.

Other accidents are subject to such investigation if the master of a vessel, shipowner, or consul of the country of the vessel's flag so requests.



WASHINGTON, *October 14, 1972*

DEAR MR. MINISTER:

With reference to the Agreement between the Government of the United States of America and the Government of the Union of Soviet Socialist Republics, signed today, concerning certain maritime matters, I have the honor to confirm the understanding reached between us that the provisions of Articles 7 and 8 of the Agreement and the provisions of Annex III thereof are not intended to apply to the carriage of liquefied natural gas (LNG) from the Union of Soviet Socialist Republics to the United States. Arrangements for such carriage will be negotiated in connection with the development of projects for the sale of LNG for use in the United States.

Very truly yours,

/s/  
PETER G. PETERSON  
*Secretary of Commerce*

His Excellency TIMOFEY B. GUZHENKO  
*Minister of Merchant Marine of the  
Union of Soviet Socialist Republics*

*Translation*

MOSCOW, October 14, 1972

DEAR MR. P. G. PETERSON:

With reference to the Agreement between the Government of the United States of America and the Government of the Union of Soviet Socialist Republics Concerning Certain Maritime Matters, signed today, I confirm the receipt of your letter of the same date and the understanding of my Government that the provisions of Articles 7 and 8 of the Agreement and the provisions of Annex III thereof are not intended to apply to the carriage of liquefied natural gas (LNG) from the Union of Soviet Socialist Republics to the United States. Arrangements for such carriage will be negotiated in connection with the development of projects for the sale of LNG for use in the United States.

Very truly yours,

/s/

T. B. GUZHENKO

*Minister of the Merchant Marine  
of the USSR*

Honorable P. G. PETERSON

*Secretary of Commerce of the USA  
Washington, D.C.*

WASHINGTON, *October 14, 1972*

Mr. N. ZUEV  
President  
SOVFRACHT  
Moscow, Russia

DEAR MR. ZUEV:

This letter will serve to confirm to you our understanding that the Maritime Administration, U.S. Department of Commerce, will use its good offices and influence with U.S. shipowners in assisting the Soviet Union in procuring vacuators for grain discharging operations.

Additionally, we confirm our understanding that tankers can only be discharged by vacuators and that in order to fulfill the terms agreed upon it will be necessary either for receivers to purchase vacuators directly or for tanker owners and/or the receivers to come to some arrangement for providing a means of discharge.

Sincerely,

/s/

ROBERT J. BLACKWELL  
*Assistant Secretary  
for Maritime Affairs*



WASHINGTON, *December 15, 1972*

MR. IGOR AVERIN  
Director of Department of Foreign Relations  
of the Ministry of the Merchant Marine  
Union of Soviet Socialist Republics  
Moscow, Russia

DEAR MR. AVERIN:

Your telegram dated December 4, 1972 is accepted as an offer of carriage by U.S. flag ships of 1,266,000 tons of raw and processed agricultural commodities for loading during the period November 22, 1972 through January 25, 1973 with reasonable notice and upon reasonable terms and conditions of carriage.

As the United States designated representative and pursuant to Paragraph 2c of Annex III of the aforementioned Agreement, I hereby certify that U.S. flag vessels are unavailable to carry 570,000 tons of the cargo offering described in Paragraph 1 above.

Very truly yours,

/s/  
ROBERT J. BLACKWELL  
*Assistant Secretary  
for Maritime Affairs*

## MEMORANDUM OF UNDERSTANDING

Acting on behalf of the designated representatives under Annex III of the Agreement Between the Government of the United States of America and the Government of the Union of Soviet Socialist Republics Regarding Certain Maritime Matters, and pursuant to Paragraph 2a of the letters exchanged by the Secretary of Commerce of the United States of America and the Minister of Merchant Marine of the Union of Soviet Socialist Republics dated October 14, 1972, in connection with the Agreement and relating to the understanding of the Parties concerning "mutually acceptable rates," we have agreed that the charter rates specified in Paragraphs 2(a) (ii) for shipments of raw and processed agricultural commodities shall be as set forth below for the carriage of heavy grains from U.S. Gulf of Mexico ports to Soviet Black Sea ports, for vessels fixed for loading and tendered by 4:00 p.m. on or before:

December 15, 1972	\$9.40 U.S. Ccy. per long ton F.I.O.T.
December 25, 1972	\$9.20 U.S. Ccy. per long ton F.I.O.T.
January 25, 1973	\$9.00 U.S. Ccy. per long ton F.I.O.T.

plus 10 percent of such rates.

It is our intention to expedite and effectuate to the fullest extent practicable the carriage by U.S.-flag vessels of such raw or processed agricultural commodities under the Agreement consistent with the availability of U.S. vessels.

DONE at Washington, D.C., this 22d day of November, 1972.

Ministry of Merchant Marine  
of the Union of Soviet Socialist  
Republics

/s/  
N. Zuev

Maritime Administration  
Department of Commerce of  
the United States of America

/s/  
Robert J. Blackwell

## MEMORANDUM OF UNDERSTANDING

Acting as the designated representatives under Annex III of the Agreement Between the Government of the United States of America and the Government of the Union of Soviet Socialist Republics Regarding Certain Maritime Matters, and pursuant to Paragraph 2a of the letters exchanged by the Secretary of Commerce of the United States of America and the Minister of Merchant Marine of the Union of Soviet Socialist Republics dated October 14, 1972, in connection with the Agreement and relating to the understanding of the Parties concerning "mutually acceptable rates," we have agreed that the charter rates specified in Paragraphs 2(a) (ii) for fixtures made prior to July 1, 1973 for shipments of raw and processed agricultural commodities shall be as set forth below for the carriage of heavy grains from U.S. Gulf of Mexico ports to Soviet Black Sea ports, for vessels tendered after 4:00 p.m. on January 25, 1973:

\$9.40 U.S. Ccy. per long ton F.I.O.T.	plus 10 percent of such rate
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DONE at Washington, DC., this 15th day of December, 1972.

Ministry of Merchant Marine  
of the Union of Soviet Socialist  
Republics

/s/  
Igor Averin

Maritime Administration  
Department of Commerce of  
the United States of America

/s/  
Robert J. Blackwell





# IV. The Trade Agreement, October 18, 1972

## SUMMARY FROM WHITE HOUSE FACT SHEET

### TRADE AGREEMENT

Consistent with the U.S. objective of creating a comprehensive and clear framework within which private American firms can participate in U.S.-Soviet trade, the trade agreement spells out guidelines in specified critical areas to facilitate the flow of trade. The agreement provides for reciprocal granting of trading access equal to that granted for most of our trading partners in the free world; for protection against disruption of domestic markets for the placement of substantial orders by the Soviet Union for U.S. machinery, plant and equipment, agricultural products, industrial products and consumer goods; for the availability of U.S. business facilities in the Soviet Union equivalent to those granted representatives of other nations; for the establishment of a U.S. Commercial Office in Moscow and a Soviet Trade Representation in Washington, and for the encouragement of third country supervised arbitration in the settlement of commercial disputes. The agreement provides an exception for each side relating to national security interests. U.S. export controls are not negotiable and were not, therefore, discussed. However, such regulations have been and will continue to be under review.

### LEVEL OF TRADE

The trade agreement contemplates that total trade during its three-year period will at least triple over the 1969-1971 period to an aggregate amount of at least \$1.5 billion. The Soviet Government states that it expects substantial orders to be placed in the United States for "machinery, plant and equipment, agricultural

products, industrial products and consumer goods." For example, the Soviet Government has indicated a desire to purchase several million dollars worth of U.S. equipment to manufacture tableware. Also, U.S. firms have applied for export licenses for equipment valued at well over \$1 billion in anticipation of bidding successfully on contracts associated with the huge Kama River Truck Plant construction projects. It is estimated that U.S. companies could capture between \$250 million and \$500 million worth of the equipment contracts for this project. Substantial grain purchases are expected to continue during the period of the agreement. Machinery and equipment exports to the Soviet Union are expected to grow substantially. Currently, electrical and non-electrical machinery accounts for only \$60 million (or 37 percent of our total exports to the Soviet Union in 1971), even though total U.S. machinery exports to all countries in 1971 were \$11.6 billion. Several large scale joint projects are currently under discussion or negotiation. These include industrial installations for the production of polystyrene, metal fasteners, fertilizers, metal mining, and natural gas extraction and transmission. The United States balance of trade with the Soviet Union has traditionally run heavily in favor of the United States—generally by a ratio of 3 to 1. This trend can be expected to continue over the period of the trade agreement resulting in a favorable trade balance in the probable range of at least a few hundred millions dollars a year. Furthermore, U.S. exports to the Soviet Union traditionally have been much more job intensive than Soviet exports to the U.S., largely raw materials, which are much less job intensive.

## MFN PROVISIONS

The agreement provides that each country will reduce its tariffs with respect to the products of the other to the level generally applicable to like products of most other countries. This will require action by the U.S. Congress. The President currently plans to submit such legislation early in next year's session. It is anticipated the trade agreement will not enter into force and its three-year period will not begin to run until such legislation is enacted. Between 1935 and 1951 such tariff treatment was also accorded to the Soviet Union, but it was withdrawn by statute in 1951 during the Korean War. Yugoslavia was not affected by the 1951 statute. A subsequent amendment made possible the granting of this tariff treatment to Poland in 1960. The granting of tariff treatment, at a level generally applicable to like products of most other countries, to the Soviet Union is fully consistent with United States membership in GATT.

## MARKET DISRUPTION PROVISION

Through state trading monopolies, the Soviet Union controls both the importation and exportation of all goods. In the Soviet economy, costs and prices do not necessarily play the same role as they do in a market economy. Accordingly, the Soviets have agreed to a procedure under which, after consultations, they will not ship products to the United States which the United States Government has advised will "cause, threaten or contribute to disruption of its domestic market." In the event the Soviets request limitation of U.S. exports, the United States Government is obliged to make such information available to the U.S. business community.

## RECIPROCAL TRADE CREDITS

Each Government agreed to make available to the other, on a reciprocal basis, trade credit arrangements which are usual and customary in the financing of exports. The President has, therefore, determined that the Export-Import Bank of the United States may engage in transactions with the Soviet Union. The Soviets have given assurances that the facilities of the Foreign Trade Bank of the Soviet Union and the credit facilities of more than 40 Soviet foreign trade organizations will be available to American importers.

The Soviets have executed an operating agreement with Eximbank which provides that with respect to all matters—amount of credit, interest rate, repayment provisions—they will be treated in the same manner as any other country. Eximbank policies concerning private participation in credit facilitation will apply, and all credits in excess of \$10 million will be subject to the usual review by the National Advisory Council.

## EXPANDED BUSINESS AND COMMERCIAL FACILITIES COMMERCIAL OFFICE

The trade agreement provides that the United States may establish a governmentally-sponsored Commercial Office in Moscow to be operated through the U.S. Embassy there. The Soviets will be permitted to establish a Trade Representation in Washington. The U.S. Commercial Office in Moscow will provide the U.S. business community with up-to-date information on Soviet markets, facilitate introductions of U.S. businessmen to the appropriate Soviet ministries, provide such facilities as bilingual stenographers and communications and provide critical expertise in advising U.S. businessmen in making their sales and purchases. Because members of the Soviet Trade Representation will have diplomatic immunity, they will not be permitted to negotiate or execute any transactions.

## BUSINESS FACILITIES IN MOSCOW

Like all foreign firms, U.S. business firms may not establish a permanent office in Moscow with the power to hire local personnel and the right to receive office space, facilities and housing without accreditation by the Soviet Government. Until very recently, only two U.S. firms—both engaged in the travel and tourism industry—were accredited. Since negotiations were commenced, two industrial firms have been accredited, and the Soviets have agreed that they will continue to accredit U.S. firms on a basis no less favorable than that accorded firms of any third country. Any problems arising out of these accreditation procedures will be resolved through the Joint Commercial Commission. The Soviets have given written assurances that U.S. accredited companies will be authorized to employ Soviet personnel, acquire

needed telephones, telex equipment and other such communications facilities promptly, import promptly needed equipment such as typewriters, calculators, dictation and copying equipment, and automobiles and personal items such as furniture and appliances, have access to suitable housing, and receive prompt processing of visa requests.

### LARGE TRADE CENTER COMPLEX

The Soviets also have said they will construct a large office-hotel-apartment trade center in Moscow. It is contemplated that the trade center will contain a substantial number of company offices, first class hotel rooms and apartments and related support activities. The center will be the first of its kind in the Soviet Union and is expected to be in full operation in the next few years. The Soviets will invite United States companies to make proposals and cooperate in the financing and construction of the trade center. The Soviet Government is also planning to construct a trade and economic exposition center and has offered to lease a pavilion to the United States for display of American products. The United States will assist the Soviets in establishing in New York a Soviet office for the purpose of purchasing American equipment for use in the Kama River Truck Plant.

### ARBITRATION

For the last 40 years the Soviets have had a policy of encouraging arbitration under the auspices of the Foreign Trade Arbitration Commission in Moscow which is composed of 15 Soviet nationals. Arbitration in a third country was agreed to by the Soviet foreign trade organizations only if the Western firm demanded and was able to negotiate a third country provision in the purchase or sale contract. By contrast, the rules of the American Arbitration Association provide that where a party to an arbitration proceeding is not an American, he has a right to have the controlling arbitrator be from a third country. The trade agreement encourages settlement of commercial disputes by arbitration under the Arbitration Rules of the Economic Commission for Europe, a United Nations agency, in a country other than the Soviet Union and the United States with arbitrators appointed by an authority in a country other than the Soviet Union and the United States. Parties to contracts, however, are free to decide on any other means of arbitration "which they mutually prefer and agree best suits their particular needs." In addition, U.S. firms are guaranteed the right to use the processes of Soviet courts and comparable Soviet organizations are assured similar access to U.S. courts.



## WHITE HOUSE PRESS CONFERENCE

PRESS CONFERENCE  
OF  
SECRETARY OF STATE  
WILLIAM P. ROGERS  
SECRETARY OF COMMERCE  
PETER G. PETERSON

3:30 P.M. EDT

MR. ZIEGLER: The United States and the Soviet Union today have signed an agreement on trade and lend lease. Secretary Rogers is here to offer some remarks on the agreements. He will do that before Secretary of Commerce Peterson briefs you on the agreements which have been reached, and take your questions.

SECRETARY ROGERS: Thank you, Mr. Ziegler.

Let me say, ladies and gentlemen, that we have just completed a meeting with President Nixon and the Soviet Ministers who are here, about the agreements that have been signed today. I can say that the President very much welcomes these agreements as concrete examples of the results of the summit meeting.

I was interested to notice that the Soviet Minister said that he thought it would be difficult to exaggerate the importance of these agreements. In the discussions, it was also pointed out that the success that has resulted, as reflected in these agreements, to a considerable measure was because of the personal and direct involvement of President Nixon and Mr. Brezhnev.

Of course, Secretary Peterson, who has carried the laboring oar as far as the negotiating process is concerned deserves great credit, as does his Under Secretary, Mr. Lynn, and Assistant Secretary of State Bill Armstrong, who has conducted the negotiations on lend lease.

Let me say there are really three agreements here, which Mr. Peterson will explain in some detail. In the broad sense, they involve, first, the settlement of the lend lease debts. This is a problem that has plagued the Soviet Union and the United States since World War II. It has been a serious barrier to better relations between our two countries.

We think that the resolution of this problem is a good one for both countries. We do not think it is to the disadvantage of either. It does settle this difficult problem resulting from World War II.

Then we have signed an agreement on trade which we think holds great promise for very improved economic relations between our two countries.

And, of course, we have an agreement on credit which will permit exchange of credits between the two countries, and I believe will benefit American working men and women and American business both, because I think it will greatly increase the trade between our two countries.

Now, I wanted to say, though, that we do not look upon these agreements as agreements which carry economic implications only. They are very important agreements in the economic field, but they have much greater significance. They are a natural follow-on to the summit meeting, and I believe will improve the climate greatly which will permit improved relations between our two countries in the political field.

I know that although we are very happy that these agreements augur well for greater trade between our two countries and the elimination of some of the difficulties we have had, the fact is that they are very significant steps in the direction of better political relations between the Soviet Union and the United States.

Of course, what that means in terms of the American people is that it provides a much better opportunity for peace in the world. In the final analysis, what the President is working for, the reason he took the trips to Moscow and Peking, the reason that we have worked so long and diligently to complete these agreements, is because he is anxious to create a climate for peace. I think the agreements that we have signed today do exactly that.

I hope that they will contribute, as the President hopes they will, to the possibility of a generation of peace. Thank you.



Q Mr. Secretary, does this mean that a most-favored-nation status for Russia, that it would be submitted to Congress and be pushed for before any of the other Eastern European countries are granted this?

SECRETARY ROGERS: I ought to let Mr. Peterson answer those questions. I want to merely say on that point that the words are misleading. What we propose to do is to eliminate the discrimination that has been involved in our trade with the Soviet Union.

The fact of the matter is that the present situation discriminates against the Soviet Union. One of the reasons for that discrimination is because we have had the problem of lend lease since World War II that we have not been able to solve. Now that we have made an agreement, an agreement which provides a payment of \$722 million to the United States over a period of years, and settles this difficult problem, we would like to have the discriminatory tariffs which have been directed against the Soviet Union removed.

Q Mr. Secretary, two-thirds of the Senate have put themselves on record as opposing ending discrimination against Russia unless they end discrimination against certain persons wishing to leave. How are you handling that problem?

SECRETARY ROGERS: We are going to handle that, Miss Berger, through the channels we have been using. We think the channels of quiet diplomacy hold out the greatest promise for success. I have had several meetings with the Jewish leaders in the country and I think there is a general feeling that the conduct of the Administration, what we are doing in the field of quiet diplomacy, holds the greatest promise of success and, after all, that is what we are all interested in, so I have nothing further to say on that today.

Thank you very much.

SECRETARY PETERSON: We believe that this trade agreement and lend lease agreement ends a 25-year hiatus in normal commercial relationships with the Soviet Union. We believe it begins a new era that not only has significant peace dividends, but very substantial economic dividends for our country.

What are these economic dividends? First of all, in the lend lease settlement, our country will receive at least \$722 million, perhaps as much as \$759 million, in short, three-quarters of a billion dollars in lend lease debt. This has been an unresolved problem for 25 years.

I am pleased to tell you that by any standard we have been measuring it, it compares very favorably, indeed, in terms of the United States, with the settlement that was made with the British.

A second economic dividend is several hundred million dollars worth of exports that we believe will be forthcoming in the relatively near future. The trade agreement provides for a minimum of tripling our trade over the three-year period to a level of at least \$1½ billion.

It was interesting that Minister Patolichev of the Soviet Union just told the President that tomorrow they plan to place orders for some \$60 million worth of American products and equipment.

A third economic dividend is in the field of the balance of trade. By all of our projections, it should have a very positive effect on our balance of trade. I would project that over the next few years, the positive effect should be at least a few hundred million dollars in our favor, and the thousands of jobs that go with that kind of balance.

But even beyond that, the goods that we are likely to export to the Soviet Union are products like machine tools, earth-moving equipment of various kinds, consumer goods, grain products, which are characterized by what the economists call "high labor intensive products." In plainer language—jobs.

On the import side, we plan to import substantial amounts of raw materials which we need, energy which we need; clean energy, I might emphasize. But here, again, with low labor content. So I think it is safe to predict that in addition to having a favorable balance of trade surplus, the evidence I think is very persuasive that we will have an even more favorable balance of job surplus.

Before going into the substance of the agreement, I would like to review very briefly with

you a few of the principles by which the President had suggested that we conduct ourselves during these negotiations.

First, we must remember that this is an economic deal between the two greatest powers in the world, not only militarily but economically. Therefore, a spirit that we wanted to pervade these arrangements was one of reciprocity, one of equal treatment. Therefore, as you read the agreement on credit, on business facilities, you will see that emphasis is placed on removing barriers, on removing discrimination.

Secondly, we were to be guided in our negotiations by the understanding that while our two economies are the world's two largest economies, they are also two of the most different. They have different philosophies, different ways of doing business, and different degrees of political oversight.

Moreover, our two countries are, by and large, party to only a very few of the same legal conventions which set the parameters for trade activity. Therefore, we were confronted with the challenge of tailoring a legal framework which we tend to take for granted when are trading with other countries. In short, we had to create some new mechanisms for dealing with new problems.

A third principle by which the President asked us to conduct ourselves during these negotiations was the principle of a comprehensive agreement. Frankly, it would have been a relatively easy matter to have signed a simple trade agreement that simply included the issues of lend lease, Ex-Im credit, and the removal of discrimination on tariffs. But the President's view has been and is that no agreement should have been entered until it dealt with the full range of issues, unless it anticipated and provided answers to the basic questions that might later be raised.

In short, we wanted to insure that today's commercial triumphs would not become tomorrow's political irritant. That is why we held out on the settlement of the lend lease question. That is why we insisted on agreed methods of handling market disruption. That is why we have insisted on establishing rules for the establishment of business facilities for the United States businessmen in the Soviet Union. That is

why, incidentally, we have wanted to be sure that this agreement provided for acceptable methods of arbitration of future disputes.

We believe the agreement we have now signed is comprehensive enough for us to do some real business. We believe that most of the essential and fundamental problems have been taken care of. This is not to say that this is a constitution that we expect to govern trade relations ad infinitum, but it does bring me really to our fourth principle, which is to remember that for 21½ decades we have had, in effect, a non-relationship.

This could not be replaced overnight with the kind of relationship that we have with such major trading powers as Japan, Canada and Western Europe. We see this as an evolutionary document, a sort of working prototype, as is indicated by the fact that there is a three-year term on the agreement. We expect, however, as time goes on, to make modifications that experience tells us are indicated. In short, this agreement is not an ultimate destination, but we believe it is a giant step on our journey.

We believe that most of the issues that we have been talking about now for several months have been very satisfactorily resolved, even in the area, for example, of copyrights, which we think is an important area since it involves the field of intellectual property and it has been our position that as we broaden our relationships, some of the same kinds of principles that apply to intellectual property should apply as apply to commercial property.

Even here I was very pleased with the substantial progress that our work groups had made, as on the question of tax treaties. By the time of our next meeting, I would expect even more progress on that score.

I would now like to take you briefly through the main provisions for those of you who have not had an opportunity to study the Fact Sheet. Then, of course, we can take your questions.

On the question, first of all, of tariffs, removing the discrimination, providing equal treatment for the Soviet Union, the President's plan is to submit legislation to the Congress of the United States early in next year's session. I might mention the meaning of this discrimina-



tion in tariff treatment in language that some of us in this room might understand better than the language of the trade economist.

I have picked vodka as an example that I thought might be of interest to some of you in the audience. The current tariff on vodka is \$5 a gallon. If we were to provide the Soviet Union with equal tariffs as other countries pay, it would be \$1.25 a gallon, or one-fourth of what it is now. There may be a few of you who enjoy caviar. Those of you who do will be happy to know the tariffs will be reduced from 30 percent to 15 percent.

One of the very important and difficult aspects of this negotiation has been how to recognize the fact that we are dealing here with a state trading monopoly, a government that controls both the imports and exports of products more or less absolutely. We are also dealing with a different economy in the sense that pricing and cost have quite different meanings in their economy.

We have felt for some time that it was essential, particularly in view of the fact that the Soviet Union does not belong to the same international trade organizations that we do, to have special provisions to handle problems of market disruption. We have provided you with a copy of the trade agreement and the letters that relate thereto, and you will see that the United States has the authority under this agreement to take necessary steps where there is evidence of situations that will either cause or threaten or contribute to the disruption of our domestic markets. Again, in the spirit of reciprocity, the Soviet Union, of course, has a similar right.

In the field of credit, which has been a very important matter of negotiation for some time, the President just signed the determination that provides that the Soviet Union is now eligible for Ex-Im credits. We have also taken the position, as some of you know, that this was the time to negotiate reciprocal credit. You will see a reciprocal agreement on credit where importers of Soviet products into the United States will have access to credit using a set of guidelines that has now been clarified.

We have long had a very substantial interest, both the Soviet Union and the United States, in

the whole area of expanding business and commercial facilities. First, at the government level, the Soviet Union has been on a quest for some 40 years to open up trade representation offices in the United States. In turn, the United States has also felt that in this new era our interests would definitely be served by having expanded commercial offices.

We are pleased to say that a totally reciprocal arrangement has been arrived at at that point, and we think it will make a significant contribution to the expansion of trade.

At the private level, we have business facilities for our private firms. There have been, frankly, two problems here, broadly speaking. The first has been the quantity of facilities that have been available. The shortage has created some tensions and frustrations from time to time, and I think we mutually felt that one really constructive step that could be taken was to expand those facilities in a major way.

The Soviet Union has agreed to build a large trade center complex which will include offices, hotels, apartments and communications facilities where our business people can have a highly acceptable arrangement.

Now, in addition to that problem, there has been the question of accreditation of our companies. The Soviet Union has agreed not to discriminate, to give the United States equal treatment with regard to the availability of business facilities, and, perhaps as important, they have for the first time provided us with very specific guidelines on some of those small things that again can be irritating unless they are resolved, the whole area of communications equipment, business equipment, automobiles, all kinds of arrangements for the conduct of business.

Another area that was, indeed, one that challenged all of us was the subject of arbitration. Now, many of you, I know, in the room are experts on the Soviet Union. You will notice that for some 40 years the Soviet Union has relied very heavily on their domestic Foreign Trade Arbitration Commission. It has been the position of the government, particularly given our size and our relationship to one another, the kinds of projects that we are discussing, that it would be extremely desirable that we encourage third-party arbitration.



We are pleased to say that an arrangement has been worked out in that regard. We consider this unprecedented step really a significant—I would have used the word “breakthrough” if it has not been overused from time to time.

On the question of lend lease, I think most of you have at least some of the background. I can give you the results and then Mr. Armstrong and Mr. Lynn and others can answer detailed questions you might have.

The agreement provides for payments of \$722 million, ending July 1, 2001. The agreement allows the Soviet Union to take up to four deferments, or the word the Soviets use is “odnaka,” as some of you may know. We all heard this word from time to time in the course of the negotiations. There are two conditions: First, if any postponements are taken, there will not be an extension of time offered past the year 2001; that is, regardless of the time the postponements are taken, and when, all the money is due by 2001.

Secondly, the interest rate will be at the rate of 3 percent.

Now, if we look at this total settlement, and this is one of the reasons we believe it is a very good settlement from our standpoint and a fair settlement from the standpoint of the Soviet Union, we have in our Fact Sheets a good deal of specific material, but you will see in that Fact Sheet that the United Kingdom had in total about \$21½ billion of all kinds of lend lease aid and the Soviet Union about half that, or \$11 billion. If we take the total payments that we expect to accrue from this agreement prior to the year 2001, you will see that the Soviet Union will pay slightly more than did Britain in total.

One of the issues was whether there should be a grace period or not. Britain has a grace period. The view that we thought was a reasonable one was that, in effect, the last 20 years might be considered to be a grace period of sorts and that there was really no logical rationale for extending one.

With regard to the due date, as I have indicated, in the case of the British settlement it is the year 2001 plus the number of deferments. In the case of the Soviet Union, it is 2001 without extension.

With regard to the interest payments, without deferments it is 3 percent with the Soviet Union, an effective 4 percent taking the postponements factor into account. I say this sympathetically: This question of interest rates has been a very sensitive one and it is for a variety of reasons.

In the first place, in the Soviet economy we must recognize that it is an economy in which the interest rates on consumer credit items, for example, is only about 2 percent. Savings account rates are only about 3 percent. I need not tell some of you who are buying various products that under these circumstances, these rates are lower than what we are accustomed to in this country by a large margin.

In addition, it is clear that the issue of the Second World War is undoubtedly not only one of historic importance, but one that is certainly not devoid of personal and emotional content. We think that the settlement we have arrived at here is one that represents a fair compromise.

I indicated earlier the progress we are making on copyrights and tax treaties. A word about the Commission, if I may, and where we go from here. Incidentally, I hope it is something more, I believe it is, than bureaucratic parochialism, if that is not a redundancy, to say a few words about my associates.

It is hard for me to praise too much the enormous contribution of my Under Secretary, who is Vice Chairman of the Commission. He did a superb job in every respect and was absolutely indispensable in these negotiations.

Also, I am very proud of the contribution of the Assistant Secretary of Commerce, Mr. Andrew Gibson, who headed the trade group and did so much to get a satisfactory settlement there.

Bill Armstrong is available for questions on lend lease. Secretary Rogers referred to him. He played a principal role in what we consider to be a satisfactory settlement of the lend lease arrangement.

Mr. Jack Bennett, Deputy Under Secretary of the Treasury, who has been doing a good deal of the work on credit arrangements, tax treaties

and joint products. We are very appreciative, Jack, of your contributions.

We have with us, I believe, Mr. Jim Mitchell from my old hometown in Illinois, which is not an enormous distinction to many except to me, and Jim has played a very important role as General Counsel.

Steve Lazarus is here as Executive Secretary.

Here is Charlie Brower, who headed the copy-right and tax treaty task force, and in general was a most valuable ally in this important cause.

We will now take your questions.

Q Mr. Secretary, did the Soviets at any time link receiving most-favored-nation status for their goods with payment of lend lease debt?

SECRETARY PETERSON: They not only did it at one time, they linked it continuously throughout the entire negotiations.

Q May I follow that up? As the agreement stands right now, they will be paying the entire lend lease obligation regardless of the disposition of Congress?

SECRETARY PETERSON: No, that is not the case. If you read the Fact Sheet, you will see that we got a \$12 million check today which we were not displeased to accept, and there will be a \$24 million payment and another \$12 million payment and then the so-called equal annual payment, presuming the passage of MFN, the granting of MFN. We have a very specific set of linkages between MFN and payment of lend lease.

Q Early this year the Administration criticized the Soviet Union for being the chief supplier of North Vietnam. The Soviet Union is still the chief supplier and the war is still going on. Presumably the trade agreement at this time would facilitate the chief supplier to supply them. How do you reconcile these two positions?

SECRETARY PETERSON: What supplies are you talking about?

Q Military hardware.

SECRETARY PETERSON: I know of no evidence at all that military products are being supplied to the Soviet Union. We have Mr. Sonnenfeldt here, who has been a brilliant adviser and whose foot is probably large enough to put

in his small mouth. I would love to have him handle this, if he will.

MR. HELMUT SONNENFELDT (National Security Council Staff): I can only agree with what you said. There are no military goods going to the Soviet Union under any of these agreements. Our export controls remain in effect and references to national security considerations are contained in the trade agreement.

Q We didn't say that trade went to North Vietnam. That is not the question. The question is what about the military goods from Russia that have gone in the past? Do you deny that any have gone? You said could we prove it. Do you have any—

SECRETARY PETERSON: We have export controls that operate in the following way: Products that leave the United States in the first place must be accompanied by a statement that the person receiving them accepts that the products included there are not going to a list of specified countries. From time to time we check into these shipments to be sure that is the case. We are not aware of any such ships that have taken American products to the ports you mentioned.

Q You are not aware of ships that take them?

SECRETARY PETERSON: We are not aware of products in ships that have left the United States that have gone to North Vietnam.

Q Mr. Secretary, what happens after three years, at the expiration of this agreement? Will negotiations continue in the interim?

SECRETARY PETERSON: We will have the exciting, stimulating experience of continuing this process of the last six months. It is our expectation that the agreement will continue. If you will read the agreement—we are making it available to you—there is a specific provision for consultation on extending the agreement further.

Q Mr. Secretary, on lend lease, two questions: Even though it does not say specifically how much interest is being paid, can you say what the American view is of the amount or percent of interest that is included in these equal annual payments; and secondly, on the pipeline figure, as of December 31, 1971, I was



told they paid \$76 million so far. You have \$199 million here. Have they paid that amount since December 31st?

SECRETARY PETERSON: I have an indisputable source. The figure I got this morning was \$199 million. Is that right, Bill?

Q On the point, can we separate principal from interest in this final agreement?

SECRETARY PETERSON: It is very difficult to do, Peter, to separate the two. One of the reasons, quite frankly, is that the subject of interest is one that is so sensitive that I think undue preoccupation of that would have made the discussions even more protracted and difficult than they were.

So, what we finally came to was the following formulation: From our standpoint it seemed to us that at least a model that we wanted to compare this to was the British settlement. We looked very carefully at what kind of products Britain got, how many in various categories. We looked at the comparable information with the Soviet Union and from that it was possible to extract at least a range of what would be an appropriate principal payment, or what one might call a principal payment.

I think on the question of interest we are not discussing a specific interest figure. Those of you who want to energetically go through the process I described can perhaps make your own estimates. But we have felt that in the interest of eliminating this particular point of conflict and undue speculation, that it was far better to deal with a total global sum and that is what we have done in the agreement. But we are fully satisfied that the agreement as I have indicated, is at least as favorable as the one that the British signed.

Q Mr. Secretary, you were quoted as saying that you were under instructions not to refer to the Jackson Amendment in regard to negotiations with the Soviet Union on trade. Is this accurate and if so, who gave you the instructions?

SECRETARY PETERSON: I don't ever recall being quoted as having said that.

Q You are quoted in the New York Times the day after 76 or 74 Senators had sponsored this amendment.

SECRETARY PETERSON: This would be a terrible forum for me to comment on the credibility of the New York Times. I don't remember either having made such a statement or having been given such instructions.

Q Mr. Secretary, how many nations, and at least some examples, will now be left without most-favored nation treatment after it is extended to the Russians?

SECRETARY PETERSON: Poland and Yugoslavia have it. Mr. Armstrong, do you know?

MR. ARMSTRONG (Deputy Under Secretary of State for Economic Affairs): The other Eastern European countries don't have it, and of course, China and North Korea and North Vietnam.

Q What parts of the two agreements have to be approved by Congress, just the most-favored nation?

SECRETARY PETERSON: The tariff arrangements that provide for removing the discrimination do require Congressional approval. It is the President's current intention to submit that early in the year. The lend lease agreement does not require that approval.

Q Mr. Secretary, may I follow up on the reference to the Jackson Amendment? Was there at any time any discussion in any context of the question of Soviet emigration policies in the trade negotiations?

SECRETARY PETERSON: It was not a subject of formal negotiations or formal discussion in that sense. We find the Soviet Union a careful reader of your media and they informed us from time to time that they were aware of the fact that there were some views on this subject expressed most explicitly in Congress. But it was not a matter of negotiation or intensive discussion on my part at least.

Q Do you have any reason to be encouraged from their comments?

SECRETARY PETERSON: I think I should leave that entirely to Secretary Rogers, Mr. Kissinger and the President. I believe they believe with good reason, I am sure, that the quiet diplomacy approach is the right one.

Q Included in the provisions that you have to send to Congress, am I correct in assuming that the fur embargo, the embargo we now



impose against Russian fur imports to this country, are included?

Q Mr. Secretary, your figure on trade over the three-year period of \$1.5 billion, I assume that that is a two-way figure and also does not pick up and include any of the agricultural exports we have already sent to the Soviet Union?

SECRETARY PETERSON: I welcome the opportunity to clarify that. This particular provision has been the subject of discussion for some time prior to the very large grain deal. You must remember that we anticipate that the agreement will take effect at the time that MFN goes into effect. By that time one might expect at least that this unprecedented volume of grain that we are now shipping will have been reduced to more normal levels.

I think the answer to your question is that it is anticipated that that kind of extraordinary amount of grain would not be included.

Q Does the \$1.5 billion figure refer to the 1974 level or the aggregate?

SECRETARY PETERSON: No. It is an aggregate over three years. It is clearly a minimum. It is clearly a number that if we did not think we could exceed it we would not have put it in the agreement. I will remind you that the volume between 1969 and 1971 was about \$525 million, roughly, over that period. So, we are tripling it over the three-year period.

Q How much exports, how much imports?

SECRETARY PETERSON: We have not made those projections. In the first place, we could not have explicit understandings on that score, obviously, since in our kind of economy it is impossible to make that kind of projection. If you will look at our trade balances, if you will look at the kind of products we import from the Soviet Union, you will find that they are predominately raw materials of various kinds. The very large projects being discussed, such as the gas products, will be several years if they do materialize. Therefore, it is hard to anticipate that those import numbers would jump precipitously. We have had a favorable trade balance of about a three-to-one ratio. I would expect to see our exports go up substantially, not only through grains, but through large purchases of machinery and equipment.

Our expectation is that we could continue to have a ratio on that order of magnitude and that the positive trade balance could easily be in the order of a few hundred million over the next several years.

Q Two questions based on Page 3 of your fact sheet: First of all, do we take it that you have not reached an agreement on third-country supervised arbitration?

SECRETARY PETERSON: No, you may take it we have reached an agreement.

Q Why do you say then, "The encouragement of"?

SECRETARY PETERSON: Well, what this provides, Peter, is that we are dealing obviously with private companies, some of whom may not want to have arbitration. All we are doing is setting a legal framework, an institutional mechanism in which the private sector can work by negotiating something that says this kind of arbitration will be encouraged. We are in a sense making it easy, efficient, a subject that will not require negotiation, in other words, if that is what the company chooses to want. I don't think we could require arbitration here. At least it would seem a bit presumptuous for us to do that.

Q The Russians are quite willing, therefore, to have third-country arbitration?

SECRETARY PETERSON: They have stated formally that they will encourage this kind of arbitration. The obvious inference from that is that if an American company expresses a wish to have arbitration and third-party negotiations the government of the Soviet Union has said in writing that they will encourage that and find it very acceptable.

Q Then the other agreement provides an exception for each side relating to national security interests. What does that mean?

SECRETARY PETERSON: We have, for example, at the present time, a variety of provisions, first administratively, and then legislatively, to deal with national security. We have export control laws that clearly limit proprietary products that might make a significant military contribution. What we are suggesting here, and what we wanted to make very clear,

is that we continue to have that right and nothing in this agreement modifies that at all.

As a matter of fact, it was not even negotiated. There is also other legislation which deals with national security provisions. Incidentally, these are provisions many countries have. This was our way of simply making clear that in the event we thought our national security interests were affected by a product transaction we were free to impose that provision.

Q Mr. Secretary, what about the travel restrictions? There is no mention at all in the agreement of that, yet one would assume that if you are going to have increased trade you would want to discuss the question of travel restrictions that now provide for under 25 miles outside of Moscow and 40 kilometers. We have several restrictions. Were those discussed?

SECRETARY PETERSON: Both Mr. Brower and Mr. Gibson were involved in that.

MR. BROWER (Deputy Legal Advisor, Department of State): The existing travel restrictions will continue to apply as heretofore. Since the principal officer and other officers, for example, of the Soviet trade representation to be established in Washington will be an integral part of the Soviet Embassy and will have diplomatic privileges and immunities, they will be subject to the same restrictions, also. There is no change in that scheme.

Q What about our people? How can you do business when you cannot move around the country?

MR. BROWER: There is no change in the scheme, so far as I am aware, from either side.

Q Did you negotiate that or did that come up, and if not, why didn't it?

MR. GIBSON (Assistant Secretary of Commerce): Of course they can move around. They require permission to do so. This has been a matter of considerable discussion but at the present moment there has been no change in the existing regulations.

Q Mr. Peterson, there was quite a bit made before the Republican Platform at the National Convention about the export of technology by your department to the Soviets and charges have been made by one of the Presidential candidates that considerable of this tech-

nology that we have exported to Russia has shown up in North Vietnam by way of military equipment captured, planes, tanks and guns that had special devices on them that came from our technology. Does this trade agreement continue the export of technology?

SECRETARY PETERSON: I would put the answer a bit differently if you don't mind. This agreement provides the United States with the unilateral right to continue to have export controls of all types for the protection of its national security. It in no way impinges on that right to do so and we intend to continue to do so.

Q Mr. Secretary, would you say that it is inaccurate to say that the principal you worked from was \$500 million?

SECRETARY PETERSON: I would say it was extraordinarily inaccurate to say that the principal was \$500 million.

Q At the time of the grain agreement with the Soviet Union and subsequent thereto the Soviets bought an inordinately large amount of grain at a faster rate than we anticipated, which led to certain domestic and political problems involving a grain deal, so-called. Are there any provisions or was any consideration given or was it necessary to protect American producers against that same sort of thing that is occurring now in the trade and technology field?

SECRETARY PETERSON: Most American manufacturers, assuming that it is not on the export control list, are rarely troubled by the Soviet Union buying more product than they anticipate. We would not visualize putting any restraint on how much the Soviet Union can buy.

Q The several million dollar deal you just mentioned that you said the Soviets were going to enter into in the next couple of days, which companies would benefit?

SECRETARY PETERSON: One of them is in the earth-moving equipment field. I think we should let the Soviet Union make their own announcements after they have made their final decision. But I understand it is earth-moving types of equipment.

Q So they have been negotiating this deal as it is being announced to us today?



SECRETARY PETERSON: I want to make something very clear. The Soviet Union has not needed Ex-Im credit to make deals. If you will look at the grain deal, the latest inputs I have seen is that only about \$200 million worth of credit was used out of the \$1 billion of purchases. The Soviet Union is quite capable of buying products on cash. Under those circumstances, it is not necessary at all for the Federal Government to be involved unless there are some national security interests that are involved.

Q Mr. Secretary, could you tell us, do you intend to ask for MFN for any other countries in Europe and also, do you intend to make Ex-Im Bank credit available to any of those countries that don't have it now?

SECRETARY PETERSON: I think the Congress shut up its doors today. I think that was the case. This gives us some perhaps welcome time to review exactly what our legislative strategy will be. I cannot go beyond the statement I made earlier that the President does plan to introduce legislation that covers MFN for the Soviet Union, but I would not want you to assume from that that it could include only the Soviet Union.

Q There are already two bills in now.

SECRETARY PETERSON: They are not bills submitted by the Administration.

Q But for other countries.

SECRETARY PETERSON: I think the Council of International Economic Policy that Peter Flanigan is Executive Director of and the National Security Council, I am sure, will be conducting an intensive review of what we consider to be right strategy of presenting MFN legislation and it is too early to comment.

Q Was there any tacit understanding or any understanding whatsoever with relation to the operation of Radio Free Europe or Radio Liberty or the jamming of the Voice of America?

SECRETARY PETERSON: No, this subject was never discussed.

Q Let me be absolutely clear, at no time did you initiate any discussion of the Jackson Amendment or any other feeling in the Congress regarding the emigration policies of the Soviet Union?

SECRETARY PETERSON: I never initiated such discussions. There have been occasions where the Soviets commented on stories they read but I did not initiate it.

Q You said because members of the Soviet trade representation have diplomatic immunity they will not be permitted to negotiate any trade transactions. Who is therefore?

MR. GIBSON: They can have members in their delegation who do not enjoy immunity who will actually execute the contracts. This is so that there can be proper redress in the event of any difficulty with the contract.

Q So there will be members of the trade representation who will not have diplomatic immunity?

SECRETARY PETERSON: Yes. You should know there are trade organizations that do not have it.

MR. BROWER: The complete answer to that question is that the business will be done basically by civilians, non-diplomatic personnel of foreign trade organizations who are either visiting this country for the purpose of making a deal or are residents and they are not protected by diplomatic immunity. The reason is that those who engage in trade should be subject to the legal framework. So, I think that is pretty clearcut.

Q Mr. Secretary, you said the Soviets will invite U. S. companies to make proposals for their trade center. Does that mean the Holiday Inn deal is not closed?

SECRETARY PETERSON: What I have found out about Miss Berger is that she has such broad and esoteric knowledge about all kinds of deals that some of the rest of you may not appreciate the subtlety of her questions.

Holiday Inn is one of the companies that has been discussing in recent weeks with the Soviet Union their being a participant in the trade center complex. The Soviets have told us that they expect to get many proposals in this area. I have the impression that no specific decisions have been made with any company, hotel or contractor.

THE PRESS: Thank you, gentlemen.

(AT 4:20 P.M. EDT.)



# AGREEMENT

## BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF THE UNION OF SOVIET SOCIALIST REPUBLICS RE- GARDING TRADE

The Government of the United States of America and the Government of the Union of Soviet Socialist Republics,

Considering that the peoples of the United States of America and of the Union of Soviet Socialist Republics seek a new era of commercial friendship, an era in which the resources of both countries will contribute to the well-being of the peoples of each and an era in which common commercial interest can point the way to better and lasting understanding,

Having agreed at the Moscow Summit that commercial and economic ties are an important and necessary element in the strengthening of their bilateral relations,

Noting that favorable conditions exist for the development of trade and economic relations between the two countries to their mutual advantage,

Desiring to make the maximum progress for the benefit of both countries in accordance with the tenets of the Basic Principles of Relations Between the United States of America and the Union of Soviet Socialist Republics signed in Moscow on May 29, 1972,

Believing that agreement on basic questions of economic trade relations between the two countries will best serve the interests of both their peoples,

Have agreed as follows:

### Article 1

1. Each Government shall accord unconditionally to products originating in or exported to the other country treatment no less favorable than that accorded to like products originating in or exported to any third country in all matters relating to:

(a) customs duties and charges of any kind imposed on or in connection with importation or exportation including the method of levying such duties and charges;

(b) internal taxation, sale, distribution, storage and use;

(c) charges imposed upon the international transfer of payments for importation or exportation; and

(d) rules and formalities in connection with importation or exportation.

2. In the event either Government applies quantitative restrictions to products originating in or exported to third countries, it shall afford to like products originating in or exported to the other country equitable treatment vis-a-vis that applied in respect of such third countries.

3. Paragraphs 1 and 2 of this Article 1 shall not apply to (i) any privileges which are granted by either Government to neighboring countries with a view toward facilitating frontier traffic, or (ii) any preferences granted by either Government in recognition of Resolution 21 (II) adopted on March 26, 1968 at the Second UNCTAD, or (iii) any action by either Government which is permitted under any multilateral trade agreement to which such Government is a party on the date of signature of this Agreement, if such agreement would permit such action in similar circumstances with respect to like products originating in or exported to a country which is a signatory thereof, or (iv) the exercise by either Government of its rights under Articles 3 or 8 of this Agreement.

## Article 2

1. Both Governments will take appropriate measures, in accordance with the laws and regulations then current in each country, to encourage and facilitate the exchange of goods and services between the two countries on the basis of mutual advantage and in accordance with the provisions of this Agreement. In expectation of such joint efforts, both Governments envision that total bilateral trade in comparison with the period 1969-1971 will at least triple over the three-year period contemplated by this Agreement.

2. Commercial transactions between the United States of America and the Union of Soviet Republics shall be effected in accordance with the laws and regulations then current in each country with respect to import and export control and financing, as well as on the basis of contracts to be concluded between natural and legal persons of the United States of America and foreign trade organizations of the Union of Soviet Socialist Republics. Both Governments shall facilitate, in accordance with the laws and regulations then current in each country, the conclusion of such contracts, including those on a long-term basis, between natural and legal persons of the United States of America and foreign trade organizations of the Union of Soviet Socialist Republics. It is understood that such contracts will generally be concluded on terms customary in international commercial practice.

3. Both Governments, by mutual agreement, will examine various fields, in which the expansion of commercial and industrial cooperation is desirable, with regard for, in particular, the long-term requirements and resources of each country in raw materials, equipment and technology and, on the basis of such examination, will promote cooperation between interested organizations and enterprises of the two countries with a view toward the realization of projects for the development of natural resources and projects in the manufacturing industries.

4. The Government of the Union of Soviet Socialist Republics expects that, during the period of effectiveness of this Agreement, foreign trade organizations of the Union of Soviet Socialist Republics will place substantial orders in the United States of America for machinery, plant and equipment, agricultural products, industrial products and consumer goods produced in the United States of America.

## Article 3

Each Government may take such measures as it deems appropriate to ensure that the importation of products originating in the other country does not take place in such quantities or under such conditions as to cause, threaten or contribute to disruption of its domestic market. The procedures under which both Governments shall cooperate in carrying out the objectives of this Article are set forth in Annex 1, which constitutes an integral part of this Agreement.

## Article 4

All currency payments between natural and legal persons of the United States of America and foreign trade and other appropriate organizations of the Union of Soviet Socialist Republics shall be made in United States dollars or any other freely convertible currency mutually agreed upon by such persons and organizations.

## Article 5

1. The Government of the United States of America may establish in Moscow a Commercial Office of the United States of America and the Government of the Union of Soviet Socialist Republics may establish in Washington a Trade Representation of the Union of Soviet Socialist Republics. The Commercial Office and the Trade Representation shall be opened simultaneously on a date and at locations to be agreed upon.

2. The status concerning the functions, privileges, immunities and organization of the Commercial Office and the Trade Representation is set forth in Annexes 2 and 3, respectively, attached to this Agreement, of which they constitute an integral part.

3. The establishment of the Commercial Office and the Trade Representation shall in no way affect the rights of natural or legal persons of the United States of America and of foreign trade organizations of the Union of Soviet Socialist Republics, either in the United States of America or in the Union of Soviet Socialist Republics, to maintain direct relations with each other with a view to the negotiation, execution and fulfillment of trade transactions. To facilitate the maintenance of such direct relations the Commercial Office may provide office facilities at its location to employees or representatives of natural and legal persons of the United States of America, and the Trade Representation may provide office facilities at its location to employees or representatives of foreign trade organizations of the Union of Soviet Socialist Republics, which employees and representatives shall not be officers or members of the administrative, technical or service staff of the Commercial Office or the Trade Representation. Accordingly, the Commercial Office and the Trade Representation, and their respective officers and staff members, shall not participate directly in the negotiation, execution or fulfillment of trade transactions or otherwise carry on trade.

### Article 6

1. In accordance with the laws and regulations then current in each country, natural and legal persons of the United States of America and foreign trade organizations of the Union of Soviet Socialist Republics may open their representations in the Union of Soviet Socialist Republics and the United States of America, respectively. Information concerning the opening of such representations and provision of facilities in connection therewith shall be provided by each Government upon the request of the other Government.

2. Foreign trade organizations of the Union of Soviet Socialist Republics shall not claim or enjoy in the United States of America, and private natural and legal persons of the United States of America shall not claim or enjoy in the Union of Soviet Socialist Republics, immunities from suit or execution of judgment or other liability with respect to commercial transactions.

3. Corporations, stock companies and other industrial or financial commercial organizations, including foreign trade organizations, domiciled and regularly organized in conformity to the laws in force in one of the two countries shall be recognized as having a legal existence in the other country.

### Article 7

1. Both Governments encourage the adoption of arbitration for the settlement of disputes arising out of international commercial transactions concluded between natural and legal persons of the United States of America and foreign trade organizations of the Union of Soviet Socialist Republics, such arbitration to be provided for by agreements in contracts between such persons and organizations, or, if it has not been so provided, to be provided for in separate agreements between them in writing executed in the form required for the contract itself, such agreements:

(a) to provide for arbitration under the Arbitration Rules of the Economic Commission for Europe of January 20, 1966, in which case such agreements should also designate an Appointing Authority in a country other than the United States of America or the Union of Soviet Socialist Republics for the appointment of an arbitrator or arbitrators in accordance with those Rules; and

(b) to specify as the place of arbitration a place in a country other than the United States of America or the Union of Soviet Socialist Republics that is a party to the 1958 Conven-



tion on the Recognition and Enforcement of Foreign Arbitral Awards.

Such persons and organizations, however, may decide upon any other form of arbitration which they mutually prefer and agree best suits their particular needs.

2. Each Government shall ensure that corporations, stock companies, and other industrial or financial commercial organizations including foreign trade organizations, domiciled and regularly organized in conformity to the laws in force in the other country shall have the right to appear before courts of the former, whether for the purpose of bringing an action or of defending themselves against one, including but not limited to, cases arising out of or relating to transactions contemplated by this Agreement. In all such cases the said corporations, companies and organizations shall enjoy in the other country the same rights which are or may be granted to similar companies of any third country.

#### Article 8

The provisions of this Agreement shall not limit the right of either Government to take any action for the protection of its security interests.

#### Article 9

1. This Agreement shall enter into force upon the exchange of written notices of acceptance. This Agreement shall remain in force for three years, unless extended by mutual agreement.

2. Both Governments will work through the Joint U.S.-U.S.S.R. Commercial Commission established in accordance with the Communiqué issued in Moscow on May 26, 1972, in overseeing and facilitating the implementation of this Agreement in accordance with the terms of reference and rules of procedure of the Commission.

3. Prior to the expiration of this Agreement, the Joint U.S.-U.S.S.R. Commercial Commission shall begin consultations regarding extension of this Agreement or preparation of a new agreement to replace this Agreement.

IN WITNESS WHEREOF, the undersigned, duly authorized, have signed this Agreement on behalf of their respective Governments.

DONE at Washington in duplicate this 18th day of October, 1972, in the English and Russian languages, each language being equally authentic.

FOR THE GOVERNMENT OF THE  
UNITED STATES OF AMERICA:

FOR THE GOVERNMENT OF THE UNION  
OF SOVIET SOCIALIST REPUBLICS:

/s/  
Peter G. Peterson  
Secretary of Commerce

/s/  
N. S. Patolichev  
Minister of Foreign Trade

## ANNEX I

### *Procedure For The Implementation of Article 3*

1. Both Governments agree to consult promptly at the request of either Government whenever such Government determines that actual or prospective imports of a product originating in the other country under certain conditions or in certain quantities could cause, threaten or contribute to disruption of the market of the requesting country.

2. (a) Consultations shall include a review of the market and trade situation for the product involved and shall be concluded within sixty days of the request unless otherwise agreed during the course of such consultations. Both Governments, in carrying out these consultations, shall take due account of any contracts concluded prior to the request for consultations between natural and legal persons of the United States of America and foreign trade organizations of the Union of Soviet Socialist Republics engaged in trade between the two countries.

(b) Unless a different solution is agreed upon during the consultations, the quantitative import limitations or other conditions stated by the importing country to be necessary to prevent or remedy the market disruption situation

in question shall be deemed agreed as between the two Governments. '

(c) At the request of the Government of the importing country, if it determines that an emergency situations exists, the limitations or other conditions referred to in its request for consultations shall be put into effect prior to the conclusion of such consultations.

3. (a) In accordance with the laws and regulations then current in each country, each Government shall take appropriate measures to ensure that exports from its country of the products concerned do not exceed the quantities or vary from the conditions established for imports of such products into the other country pursuant to paragraphs 1 and 2 of this Annex 1.

(b) Each Government may take appropriate measures with respect to imports into its country to ensure that imports of products originating in the other country comply with such quantitative limitations or conditions as may be established in accordance with paragraphs 1 and 2 of this Annex 1.

## ANNEX II

### *The Status of the Commercial Office of the United States of America in the Union of Soviet Socialist Republics*

#### ARTICLE 1

The Commercial Office of the United States of America may perform the following functions:

1. Promote the development of trade and economic relations between the United States of America and the Union of Soviet Socialist Republics; and

2. Provide assistance to natural and legal persons of the United States of America in facilitating purchases, sales and other commercial transactions.

#### ARTICLE 2

1. The Commercial Office shall consist of one principal officer and no more than three deputy

officers and a mutually agreed number of staff personnel, provided, however, that the number of officers and staff personnel permitted may be changed by mutual agreement of the two Governments.

2. The Commercial Office, wherever located, shall be an integral part of the Embassy of the United States of America in Moscow. The Government of the Union of Soviet Socialist Republics shall facilitate in accordance with its laws and regulations the acquisition or lease by the Government of the United States of America of suitable premises for the Commercial Office.

3. (a) The Commercial Office, including all of its premises and property, shall enjoy all of

the privileges and immunities which are enjoyed by the Embassy of the United States of America in Moscow. The Commercial Office shall have the right to use cipher.

(b) The principal officer of the Commercial Office and his deputies shall enjoy all of the privileges and immunities which are enjoyed by members of the diplomatic staff of the Embassy of the United States of America in Moscow.

(c) Members of the administrative, technical, and service staffs of the Commercial Office who are not nationals of the Union of Soviet Socialist Republics shall enjoy all of the privileges and immunities which are enjoyed by corresponding categories of personnel of the Embassy of the United States of America in Moscow.

### *ANNEX III*

#### *THE STATUS OF THE TRADE REPRESENTATION OF THE UNION OF SOVIET SOCIALIST REPUBLICS IN THE UNITED STATES OF AMERICA*

##### *ARTICLE 1*

The Trade Representation of the Union of Soviet Socialist Republics may perform the following functions:

1. Promote the development of trade and economic relations between the Union of Soviet Socialist Republics and the United States of America; and

2. Represent the interests of the Union of Soviet Socialist Republics in all matters relating to the foreign trade of the Union of Soviet Socialist Republics with the United States of America and provide assistance to foreign trade organizations of the Union of Soviet Socialist Republics in facilitating purchases, sales and other commercial transactions.

##### *ARTICLE 2*

1. The Trade Representation shall consist of one principal officer, designated as Trade Representative, and no more than three deputy officers and a mutually agreed number of staff personnel, provided, however, that the number of officers and staff personnel permitted may be changed by mutual agreement of the two Governments.

2. The Trade Representation, wherever located, shall be an integral part of the Embassy

of the Union of Soviet Socialist Republics in Washington. The Government of the United States of America shall facilitate in accordance with its laws and regulations the acquisition or lease by the Government of the Union of Soviet Socialist Republics of suitable premises for the Trade Representation.

3. (a) The Trade Representation, including all of its premises and property, shall enjoy all of the privileges and immunities which are enjoyed by the Embassy of the Union of Soviet Socialist Republics in Washington. The Trade Representation shall have the right to use cipher.

(b) The Trade Representative and his deputies shall enjoy all of the privileges and immunities which are enjoyed by members of the diplomatic staff of the Embassy of the Union of Soviet Socialist Republics in Washington.

(c) Members of the administrative, technical and service staffs of the Trade Representation who are not nationals of the United States of America shall enjoy all of the privileges and immunities which are enjoyed by corresponding categories of personnel of the Embassy of the Union of Soviet Socialist Republics in Washington.



## EXCHANGE OF LETTERS

WASHINGTON, D.C.  
October 18, 1972

DEAR MR. MINISTER,

I have the honor to refer to our recent discussions relating to Article 3 and Annex 1 of the Agreement Between the Government of the United States of America and the Government of the Union of Soviet Socialist Republics Regarding Trade to be signed today. In accordance with those provisions and discussions, and consistent with current United States laws and regulations concerning exports, it is understood that the United States Government will meet its obligations under paragraph 3(a) of Annex 1 with respect to limitations or conditions established pursuant to a request of the Government of the Union of Soviet Socialist Republics under paragraphs 1 and 2 of Annex 1 by making available to United States exporters information regarding the quantities or conditions stated by the Government of the Union of Soviet Socialist Republics in its request, or as otherwise established following consultations provided for under Annex 1.

I further understand that the Government of the Union of Soviet Socialist Republics will limit or establish conditions on exports of any product from the Union of Socialist Republics to the United States if requested to do so in accordance with Annex 1.

I would appreciate receiving your confirmation of the foregoing understandings on behalf of the Government of the Union of Soviet Socialist Republics.

Please accept, Mr. Minister, the assurances of my highest consideration.

Sincerely yours,

/s/

PETER G. PETERSON

MR. N. S. PATOLICHEV

*Minister of Foreign Trade of the  
Union of Soviet Socialist Republics*

October 18, 1972

DEAR MR. MINISTER,

I have the honor to confirm, as was stated by my delegation in the course of the negotiations leading to the conclusion today of the Agreement Between the Government of the United States of America and the Government of the Union of Soviet Socialist Republics Regarding Trade, that while the Trade Representation of the Union of Soviet Socialist Republics in Washington established pursuant to Article 5 of said Agreement, its officers and staff members may engage in appropriate activities to promote trade generally between the two countries for the purpose of said Agreement, as is customary in international practice, United States legislation in force, i.e., Title 22 of the United States Code, Sections 252-254, makes it inappropriate for the Trade Representation, its officers and staff to participate directly in the negotiation, execution or fulfillment of trade transactions or otherwise carry on trade.

I have the further honor to confirm that at such time as the United States of America shall have become a party to the Vienna Convention on Diplomatic Relations, dated April 18, 1961, and its domestic legislation shall have been revised to accord fully with the terms of Articles 29 through 45 of said Convention, regarding diplomatic privileges and immunities, my Government will be prepared to give favorable consideration to amending the Agreement Between the Government of the United States of America and the Government of the Union of Soviet Socialist Republics Regarding Trade by deleting the second and third sentences of paragraph 3 of Article 5, thus permitting officers and members of the administrative, technical and service staffs of the Commercial Office of the United States of America in Moscow and the Trade Representation of the Union of Soviet Socialist Republics in Washington to participate directly in the negotiation, execution and fulfillment of trade transactions and otherwise carry on trade.

Please accept, Mr. Minister, the assurances of my highest consideration.

Sincerely yours,

/s/

PETER G. PETERSON

MR. N. S. PATOLICHEV

*Minister of Foreign Trade of the  
Union of Soviet Socialist Republics*

WASHINGTON, D.C.  
October 18, 1972

DEAR MR. MINISTER,

I have the honor to acknowledge the receipt of your letter of this date, with attachments, which reads as follows:

Dear Mr. Secretary:

This is in response to your request for information on the procedures established by the Ministry of Foreign Trade for the accreditation of offices of foreign companies including United States companies, and on the facilities made available to such companies once accreditation has been approved. Such information is attached hereto.

United States companies will receive treatment no less favorable than that accorded to business entities of any third country in all matters relating to accreditation and business facilitation. Applications by United States firms for accreditation will be handled expeditiously. Any problems arising out of these applications that cannot readily be resolved through the regular procedures shall be resolved through consultation under the Joint U.S.-U.S.S.R. Commercial Commission at the request of either side.

As you have been advised, the U.S.S.R. Chamber of Commerce and Industry and the State Committee of the Council of Ministers of the U.S.S.R. for Science and Technology are establishing a large trade and economic exposition center which will include display pavilions of the various participating countries. The United States has been invited to have such a pavilion. Further, to meet the growing interest of foreign firms in establishing a permanent residence in Moscow, we have decided to construct a large trade center containing offices, hotel and apartment facilities and are asking United States companies to make proposals for and cooperate in the development and building of the trade center. The trade center will be used for, among other things, housing and office facilities for accredited United States companies.

Prior to the availability of these facilities, however, office facilities of an appropriate size in buildings accessible to trade sources will be made available as soon as possible once a United States company is accredited. The facilities to which such firms shall be entitled are explained in the attached information.

It is recognized that from time to time United States businessmen may have problems regarding such facilities which they are unable to resolve through discussions with various foreign trade organizations or other organizations. In such cases officials of my Ministry, as well as those of the State Committee of the Council of Ministers of the USSR for Science and Technology, shall be available through their respective protocol sections for assistance in resolving these problems.

Please accept, Mr. Secretary, the assurances of my highest consideration.

Sincerely yours,

/s/

N. PATOLICHEV

MR. PETER G. PETERSON  
*Secretary of Commerce*  
*of the United States of America*



I have the further honor to inform you that I have taken cognizance of the contents of the above letter and its attachments.

Please accept, Mr. Minister, the assurances of my highest consideration.

Sincerely yours,

/s/  
PETER G. PETERSON

MR. N. S. PATOLICHEV  
*Minister of Foreign Trade of the  
Union of Soviet Socialist Republics*

## **SUMMARY OF BUSINESS FACILITIES FOR FOREIGN COMPANIES**

An accredited company will be authorized to employ at its office not more than five American or other non-Soviet personnel, as well as Soviet personnel if desired. If requested, such communications facilities as telephones, extensions, telex equipment will be made available promptly. The name, location, and function of an accredited office will be listed in the latest issue of suitable business directories if such are published. Subject to the requirement that such equipment be exported when no longer needed by its office and subject to applicable customs regulations, accredited offices will be permitted to import, as promptly as desired, typewriters, calculators, dictation and copying equipment, one stationwagon-type automobile, as well as other equipment for the purpose of efficient and business-like operation of the office.

Subject to applicable customs regulations, each non-Soviet employee will be permitted to import a passenger car, household utilities, appliances, furniture and other necessary living items at any time within a year after the arrival of the employee in Moscow. In addition, suitable housing for such employee and family will be made available as soon as possible.

Normally, such employees and members of their families will have visas prepared for exit from and entry into the Soviet Union within three to five days. In the case of a business or personal emergency, however, a special effort is made to issue visas more promptly, and, in the case of demonstrated need, the question of granting a multiple entry and exit visa shall be examined very carefully.

## **INSTRUCTIONS ON THE PROCEDURE FOR THE ISSUANCE OF PERMITS FOR THE OPENING OF OFFICES OF FOREIGN FIRMS IN THE USSR AND FOR THE REGULATION OF THEIR ACTIVITY**

1. Permits for the opening of offices of foreign firms in the U.S.S.R., referred to hereinafter as "Office(s)," may, in accordance with legislation in force in the U.S.S.R., be issued to foreign firms that are known on the world market and that have affirmatively presented themselves in the capacity of trade partners of Soviet foreign trade organizations with whom they have concluded especially large commercial transactions. In this connection it will also be considered that the Offices will effectively assist Soviet foreign trade organizations in the development of Soviet exports, including machinery and equipment, and also in the import of machinery and equipment that is technologically modern, and in familiarization with the newest achievements of world technology.

2. A foreign firm interested in opening an Office shall submit to the Protocol Section of the Ministry of Foreign Trade, referred to hereinafter as the "Protocol Section", an application containing the following information:

a) the name of the firm, the date of its formation, and the place of its residence;

b) the subject matter of its activity, the organs of its administration, and the persons representing the firm according to its charter (the articles of incorporation or the articles of agreement of the firm);

c) the date and place of ratification or registration of the charter (the articles of incorporation or the articles of agreement of the firm) on the basis of which the firm operates;

d) the charter capital of the firm;

e) with which Soviet foreign trade organization the firm has concluded a transaction for the performance of which the firm requests a permit for the opening of an Office, the subject matter and amount of the transaction, and the period of operation of the transaction;

f) with which other Soviet foreign trade organizations the firm has commercial relations.

The information enumerated in subparagraphs "a", "b", "c", and "d" must be confirmed

by documents (by-laws, charter, articles of incorporation or articles of agreement, an extract from a trade register, etc.) attached to the application in the form of notarized copies certified in accordance with established procedure by consular offices of the U.S.S.R. abroad.

*NOTE:* Besides the indicated information and documents, a firm shall submit, upon inquiry by the Ministry of Foreign Trade, also other information and documents concerning the firm's activities.

3. The representative of a foreign firm presenting in its name a petition for the opening of an Office in the U.S.S.R. shall give to the Protocol Section a properly prepared power of attorney.

4. In the permit for opening an Office, issued by the Protocol Section in the accompanying form, there shall be indicated:

- a) the objective of opening the Office;
- b) the conditions under which the firm is permitted to have the Office;
- c) the period for which the permit is issued;
- d) the number of personnel at the Office who are foreign citizens and employees of the firm.

5. On questions of the purchase and sale of goods the Office may communicate with Soviet organizations that do not have the right to operate in foreign trade only through the Ministry of Foreign Trade and shall conduct its activities in observance of the laws, decisions of

the Government, instructions, and rules in force in the U.S.S.R.

6. Every quarter the Office shall send to the Protocol Section written information on the Office's activities, its commercial contacts with Soviet organizations, its export and import transactions concluded, and the course of their performance.

7. The person who is authorized to be the head of the Office shall give to the Protocol Section a properly prepared power of attorney from the firm, and shall inform the Protocol Section in a timely fashion of his replacement and also of the dates of arrival in the U.S.S.R. and of departure from the U.S.S.R. of personnel of the Office.

8. An Office opened in accordance with the procedure established by the present Instructions shall apply, on questions of the furnishing to it of day-to-day services, to the Ministry of Foreign Affairs of the U.S.S.R., the Administration for Services to the Diplomatic Corps.

9. The activity of an Office shall terminate:

- a) upon expiration of the period for which its permit was issued;
- b) in the event of termination of the activity abroad of the firm having the Office in the U.S.S.R.;
- c) upon decision of the Ministry of Foreign Trade in the event of violation by the Office of the conditions under which the firm was permitted to open the Office in the U.S.S.R., or in the event of a declaration that the Office's activity does not correspond to the interest of the U.S.S.R.



DEAR MR. MINISTER:

This is in response to your request pursuant to Article 6 of the Agreement Between the Government of the United States of America and the Government of the Union of Soviet Socialist Republics Regarding Trade for information on policies and procedures applicable to foreign trade organizations and nationals of the Union of Soviet Socialist Republics seeking to establish business facilities in the United States for the conduct of commercial activities, and with respect to assistance that might be given by the Government of the United States of America in that regard to such organizations and persons.

From our many discussions, I am satisfied that both sides accept the principle of expansion of business facilities in each other's country as an adjunct for substantially expanded trade.

Both sides have reasons that may, in some cases, make it necessary not to honor all requests for expanded facilities and new organizations. However, we are both committed to expanding such facilities.

Where there is a clear need established for such added facilities, I will assure you that the Government of the United States will sympathetically consider such requests.

As I have told you, I believe it is important that we select examples of certain kinds of organizations and facilities that are likely to be needed in the future in order to expand trade and commerce substantially.

As one example, we recognize that certain very large projects may require from time to time purchasing organizations in the United States to coordinate such activities on those projects. We believe the Kama River Purchasing Commission is a good example of our mutual desire to improve trade between our two countries and to provide necessary facilities and organizations to achieve that objective. Thus, I am pleased to tell you the terms set out in the attachment for the Temporary Purchasing Commission for the procurement of equipment for the Kama River Truck Plant are acceptable.

As another example, the Government of the United States of America recognizes the need for the Union of Soviet Socialist Republics to stimulate more exports to the United States, and will cooperate to promote such exports where appropriate. Accordingly, if in the next few months the Soviet Government submits a request that demonstrates a clear need for a particular export facility or organization to stimulate Soviet exports to the United States, we will view such a request sympathetically.

Sincerely yours,

/s/  
PETER G. PETERSON

Attachment:

As stated.

MR. N. S. PATOLICHEV  
*Minister of Foreign Trade of the  
Union of Soviet Socialist Republics*

With respect to the request on the part of the Government of the Union of Soviet Socialist Republics for approval of a Temporary Purchasing Commission for the Kama River Truck Complex, the Government of the United States of America understands the following:

1. The Temporary Purchasing Commission would be created with the purpose of:

a) Furnishing assistance for the placement of equipment orders for the construction of the Kama River Truck Complex in the Union of Soviet Socialist Republics.

b) Supervising on behalf of the Soviet Ministry of Foreign Trade preparation and shipment of equipment purchased from United States companies and training of Soviet experts for the Kama River Truck Complex.

c) Assisting United States companies in negotiations and fulfillment of contracts with Soviet foreign trade organizations, and assisting United States experts sent to the Union of Soviet Socialist Republics as technical consultants and coordinators of equip-

ment assembly in connection with the Kama River Truck Complex.

2. The Temporary Purchasing Commission would be established provisionally for a period of one year, and could be renewed, by mutual agreement, for as many as three additional periods of one year each. The Temporary Purchasing Commission would be responsible to the Soviet Ministry of Foreign Trade and the Trade Representative of the Union of Soviet Socialist Republics in the United States.

3. The personnel of the Temporary Purchasing Commission would consist of a Chairman and no more than 15 additional persons, including technical assistants and staff.

4. The location of the Commission would be New York City. The specific location of the premises proposed to be occupied by the Temporary Purchasing Commission would be subject to prior agreement with the Government of the United States.

5. Permission to travel to and within the United States would be governed by existing laws and regulations.





# V. The Lend Lease Settlement, October 18, 1972

## SUMMARY FROM WHITE HOUSE FACT SHEET

### BACKGROUND

Outstanding Soviet lend lease obligations have been a deterrent to U.S.-Soviet commercial relations since World War II. Negotiations which were conducted immediately after the war, in 1951 and in 1960 all ended in failure. The lend lease statute gives the President full power to settle the obligation within very broad limits. The agreement under which lend lease aid was extended to the Soviets followed other similar agreements in providing only the most general language concerning how contributions to the war effort by each side were to be settled. Consequently, the actual 1945 settlement with the British, the principal beneficiaries of lend lease aid, provided the guidelines for the settlement with the Soviet Union which received about half as much aid as the British, but more than five times as much as any other country. The principal issues were the amount of the total settlement, whether and how much interest should be charged, the length of time for repayment, a grace period and a right to postpone annual installments under certain conditions. Negotiations were complicated by the length of time which had elapsed since World War II, the difference between current interest rates and those prevailing at the end of World War II, and the fact that Soviet products have been subject to higher tariff levels during the intervening period than have been the products of the British.

### THE SOVIET SETTLEMENT

Outstanding Soviet lend lease obligations will be settled by the payment by the Soviets to the United States of an amount at least \$722 million payable over the period ending July 1,

2001. \$12 million is being paid today. \$24 million will be paid July 1, 1973, and \$12 million on July 1, 1975. The balance will be paid in equal annual installments (\$24,071,429 for each of 28 installments assuming the first such annual payment is on July 1, 1974<sup>1</sup>) ending on July 1, 2001. The exact total amount will depend upon when and how many of the four allowable annual deferments are taken by the Soviets. If the Soviets were to take their four postponements early in the period, interest on deferments could amount to as much as \$37 million, making the total amount payable between now and 2001 equal to \$759 million. Such deferments, if taken, will nonetheless be repaid by July 1, 2001, and will bear interest at the rate of 3 percent per annum. The British pay 2 percent interest on any deferments and are permitted to add a year beyond 2001 for each deferment. The median interest rate for total interest bearing public debt between 1946 and 1972 is 2.867 percent (which is coincidentally the interest rate for the year 1959). The settlement also includes remaining amounts due on the "pipeline account" for lend lease goods delivered to the Soviets immediately after World War II and for which they have been paying since 1954.

<sup>1</sup> If such MFN is granted between June 1 and December 1, the first lend lease payment is due not more than thirty days thereafter. If MFN is granted from December 2 through May 31 of the following year, then the first lend lease payment is due on July 1 of that year. The earliest payment date of such annual installments is July 1, 1974.

## THE SOVIET SETTLEMENT AS COMPARED TO THE BRITISH SETTLEMENT

In addition, account was taken of the fact that the United States has carried the Soviet debt since the War at the cost of the foregone interest it would have received had the Soviets settled at the time the British settled, and has experienced a period of substantial world-wide inflation. As to prospective interest rate, it had to be recognized that the 2 percent rate charged the British was itself concessionary as against rates prevailing in 1946. The two settlements compare as follows:

	<i>U.K.</i>	<i>Soviet</i>
Total aid extended	\$21.5 billion	\$11.1 billion
Total amount to be paid	\$895 million <sup>2</sup>	\$921 million <sup>2</sup>
Grace period	5 years	none
Final due date	December 31, 2005—(could be December 31, 2008, if three additional permitted deferments taken)	July 1, 2001—no extension

Annual deferments	7 allowed—extends final due date	4 allowed—no extension
Interest rate on deferments	2%	3% (compared to British settlement in which deferments result in an extension). The 3% Soviet interest rate is actually comparable to a 4% interest rate on the British basis. The U.K. paid 2%.

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<sup>2</sup> Assumes no deferments and includes payments for goods in "pipeline" at the end of World War II and delivered thereafter (\$199 million have been received from Soviet Union to date.)

## AGREEMENT

### BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF THE UNION OF SOVIET SOCIALIST REPUBLICS REGARDING SETTLEMENT OF LEND LEASE, RECIPROCAL AID AND CLAIMS

The Government of the United States of America and the Government of the Union of Soviet Socialist Republics,

Considering the need to settle obligations arising out of the prosecution of the war against aggression in order to foster mutual confidence and the development of trade and economic relations between the two countries,

Desiring to further the spirit of friendship and mutual understanding achieved by the leaders of both countries at the Moscow Summit,

Recognizing the benefits of cooperation already received by them in the defeat of their common enemies, and of the aid furnished by each Government to the other in the course of the war, and

Desiring to settle all rights and obligations of either Government from or to the other arising out of lend lease and reciprocal aid or otherwise arising out of the prosecution of the war against aggression,

Have agreed as follows:

1. This Agreement represents a full and final settlement of all rights, claims, benefits and obligations of either Government from or to the other arising out of or relating to:

(a) the Agreement of June 11, 1942, between the Governments of the United States of America and the Union of Soviet Socialist Republics on principles applying to mutual aid in the prosecution of the war against aggression, including the arrangements between the two Governments preliminary to and replaced by said Agreement,

(b) the Agreement of October 15, 1945, between the Governments of the United States of America and the Union of Soviet Socialist Republics concerning the disposition of lend-lease supplies in inventory or procurement in the United States of America, and

(c) any other matter in respect of the conduct of the war against aggression during the period June 22, 1941 through September 2, 1945.

2. In making this Agreement both Governments have taken full cognizance of the benefits and payments already received by them under the arrangements referred to in Paragraph 1 above. Accordingly, both Governments have agreed that no further benefits will be sought by either Government for any obligation to it arising out of or relating to any matter referred to in said Paragraph 1.

3. (a) The Government of the Union of Soviet Socialist Republics hereby acquires, and shall be deemed to have acquired on September 20, 1945, all such right, title and interest as the Government of the United States of America may have in all lend lease materials transferred by the Government of the United States of America to the Government of the Union of Soviet Socialist Republics, including any article (i) transferred under the Agreement of June 11, 1942, referred to above, (ii) transferred to the Government of the Union of Soviet Socialist Republics under Public Law II of the United States of America of March 11, 1941, or transferred under that Public Law to any other government and retransferred prior to September 20, 1945 to the Government of the Union of Soviet Socialist Republics, (iii) transferred under the Agreement of October 15, 1945, referred to above, or (iv) otherwise transferred during the period June 22, 1941 through September 20, 1945 in connection with the conduct of the war against aggression.



(b) The Government of the United States of America hereby acquires, and shall be deemed to have acquired on September 20, 1945, all such right, title and interest as the Government of the Union of Soviet Socialist Republics may have in all reciprocal aid materials transferred by the Government of the Union of Soviet Socialist Republics to the Government of the United States of America during the period June 22, 1941 through September 20, 1945.

4. (a) The total net sum due from the Government of the Union of Soviet Socialist Republics to the Government of the United States of America for the settlement of all matters set forth in Paragraph 1 of this Agreement shall be U.S. \$722,000,000 payable as provided in subparagraphs (b), (c), and (d) of this Paragraph 4.

(b) (i) Three installments shall be due and payable as follows: \$12,000,000 on October 18, 1972, \$24,000,000 on July 1, 1973 and \$12,000,000 on July 1, 1975.

(ii) Subject to subparagraph (c) of this Paragraph 4, after the date ("Notice Date") on which a note from the Government of the United States of America is delivered to the Government of the Union of Soviet Socialist Republics stating that the Government of the United States of America has made available most-favored-nation treatment for the Union of Soviet Socialist Republics no less favorable than that provided in an Agreement Between the Governments of the United States of America and the Union of Soviet Socialist Republics Regarding Trade signed on the date hereof, the balance of \$674,00,000 in payment of lend lease accounts shall be paid in equal installments ("Regular Installments") as follows:

(1) If the Notice Date falls on or before May 31, 1974, the first Regular Installment shall be due and payable on July 1, 1974, and subsequent Regular Installments shall be due and payable annually on July 1 of each year thereafter through July 1, 2001, or (2) If the Notice Date falls on or after June 1, 1974, and (A) If the Notice Date occurs in the period of June 1 through December 1 of any year, the first Regular Installment shall be due and payable not more than 30 days following the Notice Date and subsequent Regular Installments shall be due and payable annually on July 1 of each year thereafter through July 1, 2001; or (B) If the Notice Date occurs in the period of December 2 of any year through May 31 of the following year, the first Regular Installment shall be due and payable on the July 1 next following the Notice Date and subsequent Regular Installments shall be due and payable annually on July 1 of each year thereafter through July 1, 2001.

(c) In any year, upon written notice to the Government of the United States of America that a deferment of a Regular Installment (except the first and last Regular Installment) next due is necessary in view of its then current and prospective economic conditions, the Government of the Union of Soviet Socialist Republics shall have the right to defer payment of such Regular Installment ("Deferred Regular Installment"). Such right of deferment may be exercised on no more than four occasions. On each such occasion, without regard to whether the Government of the Union of Soviet Socialist Republics defers any subsequent Regular Installments, the Deferred Regular Installment shall be due and payable in equal annual installments on July 1 of each year commencing on the July 1 next following the date the Deferred Regular Installment would have been paid if the Government of the Union of Soviet Socialist Republics had not exercised its right of deferment as to such Regular Installment with the final payment on the Deferred Regular Installment on July 1, 2001, together with interest on the unpaid amount of the Deferred Regular Installment from time to time outstanding at three percent per annum, payable at the same time as the Deferred Regular Installments is due and payable.

(d) The Government of the Union of Soviet Socialist Republics shall have the right to prepay at any time all or any part of its total settlement obligation, provided that no such prepayment may be made at any time when any payment required to be made under this Paragraph 4 has not been paid as of the date on which it became due and payable.

5. Both Governments have agreed that this Agreement covers only rights, claims, benefits and obligations of the two Governments. Further, nothing in this Agreement shall be deemed to terminate the provisions of Article III of the Agreement of June 11, 1942, referred to above.

Done at Washington in duplicate this 18th day of October, 1972, in the English and Russian languages, both texts being equally authentic.

/s/

William P. Rogers  
Secretary of State  
For the Government of the United  
States of America

/s/

N. Patolichev  
Minister of Foreign Trade  
For the Government of the  
Union of Soviet Socialist  
Republics













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